STRICTLY CONFIDENTIAL—DO NOT FORWARD

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering memorandum attached to this e-mail. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

IF YOU ARE NOT THE INTENDED RECIPIENT OF THIS MESSAGE, PLEASE DO NOT DISTRIBUTE OR COPY THE INFORMATION CONTAINED IN THIS E-MAIL, BUT INSTEAD DELETE AND DESTROY ALL COPIES OF THIS E-MAIL.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT HAVE NOT BEEN, AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of Your Representation: You have accessed the following offering memorandum on the basis that you have confirmed your representation to J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mitsubishi UFJ Securities (USA), Inc. that (1) (i) you must (a) be outside the United States and not a U.S. person, each as defined in Regulation S, nor acting on behalf of a U.S. person and, to the extent you purchase the securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the Securities Act, (b) be a person in the United Kingdom who is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive and also (I) an investment professional falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) a high net worth company, or other person to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, (c) be a qualified investor under the EU Prospectus Directive or, in jurisdictions where the Prospectus Directive is not in force, an institutional or other investor eligible to participate in a private placement of securities under applicable law, (d) be a qualified investor or member of a restricted circle of investors (*cercle restreint d'investisseurs*) acting for your own account and/or to investment services providers authorized to engage in portfolio management on behalf of third parties (*personnes fournissant le service de gestion de portefeuille pour le compte de tiers*) as defined under Articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code (*Code monétaire et financier*), (e) be a person in Japan benefiting from an exemption from the registration requirements of the Securities and Exchange Law of Japan OR (ii) you are acting on behalf of, or you are, a "qualified institutional buyer," as defined in Rule 144A under the Securities Act, AND (2) that you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission. You are reminded that you have accessed the attached offering memorandum on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein. The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the issuer, J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mitsubishi UFJ Securities (USA), Inc. or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mitsubishi UFJ Securities (USA), Inc. will provide a hard copy version to you upon request.

Restrictions: The attached document is an offering memorandum and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the information in the attached document is not complete and may be changed. Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mitsubishi UFJ Securities (USA), Inc. to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mitsubishi UFJ Securities (USA), Inc. or their affiliates on behalf of the issuer in such jurisdiction.

Actions that You May Not Take: You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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GDF SUEZ S.A.

U.S.$750,000,000 1.625% Notes due 2017
U.S.$750,000,000 2.875% Notes due 2022

We, GDF SUEZ S.A., are issuing U.S.$750,000,000 aggregate principal amount of our 1.625% notes due 2017, the "2017 notes", and U.S.$750,000,000 aggregate principal amount of our 2.875% notes due 2022, the "2022 notes" and, together with the 2017 notes, the "notes". The 2017 notes will mature on October 10, 2017 and the 2022 notes will mature on October 10, 2022. The 2017 notes will bear interest from October 10, 2012 at a fixed rate of 1.625% per annum, payable semi-annually in arrears on April 10 and October 10 of each year, beginning April 10, 2013. The 2022 notes will bear interest from October 10, 2012 at a fixed rate of 2.875% per annum, payable semi-annually in arrears on April 10 and October 10 of each year, beginning April 10, 2013.

The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness.

We may redeem the notes in whole or in part at any time at the redemption prices described in this offering memorandum. We may also redeem the notes at our option in whole but not in part at their principal amount then outstanding plus accrued interest if certain tax events occur as described herein. See "Description of the Notes — Redemption."

There is currently no market for the notes. We do not intend to list the notes on any securities exchange.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14 for a discussion of risks relevant to an investment in the notes.

The 2017 notes are expected to be assigned a rating of "A1" (outlook negative) by Moody's Investors Service, Inc., or Moody's and a rating of "A" (outlook stable) by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or S&P. The 2022 notes are expected to be assigned a rating of "A1" (outlook negative) by Moody's and a rating of "A" (outlook stable) by S&P. The ratings address our ability to perform our obligations under the terms of the notes. A rating is not a recommendation to buy, sell or hold the notes and may be subject to suspension, reduction or withdrawal at any time by the relevant credit organization. A suspension, reduction or withdrawal of the rating assigned to the notes may adversely affect the market price of the notes.

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. Accordingly, the notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act ("Rule 144A") and outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the notes, see "Plan of Distribution", "Notice to Investors" and "Transfer Restrictions."

Issue Price for 2017 notes: 99.352% plus accrued interest, if any, from October 10, 2012
Issue Price for 2022 notes: 98.799% plus accrued interest, if any, from October 10, 2012

The initial purchasers expect to deliver the notes to purchasers on or about October 10, 2012 only in book-entry form through the facilities of The Depository Trust Company ("DTC") and through Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") (as participants in DTC).

Joint Book-Running Managers

J.P. Morgan **RBS**

BofA Merrill Lynch **Citigroup** **Mitsubishi UFJ Securities**

BNP PARIBAS **Crédit Agricole CIB** **Natixis** **SOCIETE GENERALE**

The date of this offering memorandum is October 2, 2012

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In this offering memorandum, references to "we", "our", "us" or the "Group" mean, as the context requires, to GDF SUEZ S.A. ("GDF SUEZ") and its subsidiaries on a consolidated basis. References to "Gaz de France" are to the predecessor company Gaz de France SA, and references to "Suez" are to the predecessor company Suez SA. In this offering memorandum, unless otherwise specified, all financial statements are for GDF SUEZ on a consolidated basis. References to a particular "fiscal" year are to our fiscal year ended December 31 of such year. In this offering memorandum, references to "U.S." or "United States" are to the United States of America, its territories and its possessions. References to "France" are to the Republic of France.

Except as otherwise stated in this offering memorandum, all translations from euro to U.S. dollars are based on the noon buying rate in the City of New York on September 28, 2012. No representation is made that the euro amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

This offering memorandum has been prepared by us solely for use in connection with the proposed placement of the notes. Both we, as well as J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mitsubishi UFJ Securities (USA), Inc., BNP Paribas Securities Corp., Credit Agricole Securities (USA) Inc., Natixis Securities Americas LLC and SG Americas Securities, LLC, being the initial purchasers, reserve the right to withdraw the offering of the notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered hereby. This offering memorandum is personal and confidential to the prospective investor to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. Except as set forth in the paragraph below, distribution of this offering memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. Except as set forth in the paragraph below, the prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Fiscal Agency Agreement and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the initial purchasers may have conducted with respect to the information contained herein, the initial purchasers do not accept any liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by or on our behalf.

This offering memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, all of which will be made available to prospective investors upon request to us or the fiscal agent for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

Prospective investors in the notes should rely only on the information contained in this offering memorandum. Neither we nor the initial purchasers have authorized the provision of information different from that contained in this offering memorandum. The information contained in this offering memorandum is accurate in all material respects only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs and those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Prospective investors hereby acknowledge that (i) they have been afforded an opportunity to request from us and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have had the opportunity to review all of the documents described herein, (iii) they have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with any investigation of the accuracy of such information or their investment decision, and (iv) no person has been authorized to give any information or to make any representation concerning us or the notes (other than as contained herein and information given by our duly authorized officers and employees, as applicable, in connection with investors' examination of us and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

In making an investment decision, prospective investors must rely on their examination of us and the terms of this offering, including the merits and risks involved. The notes have not been approved or recommended by any United States federal or state securities commission or any other United States, French or other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES LLC AND RBS SECURITIES INC. (THE *"STABILIZING MANAGERS")*, OR ANY OF THEIR RESPECTIVE AFFILIATES (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTES TO THE PUBLIC.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, OR RSA 421-B, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A NOTE IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A NOTE OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, NOTE OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UNITED STATES

Each purchaser of the notes will be deemed to have made the representations, warranties and acknowledgments that are described in this offering memorandum under the "Transfer Restrictions" section in this offering memorandum.

The notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes to qualified institutional buyers under Rule 144A under the Securities Act and to non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States under Regulation S under the Securities Act. We have not authorized its use for any other purpose. For a description of certain further restrictions on resale or transfer of the notes, please see "Transfer Restrictions".

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum and any other offering material relating to the notes have been prepared on the basis that all offers of in any Member State of the European Economic Area (the "EEA") which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the notes. Accordingly, any person making or intending to make any offer in that Relevant Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the initial purchasers has authorized, nor do they authorize, the making of any offer of the notes in circumstances in which an obligation arises for the Issuer or the initial purchasers to publish a prospectus or supplement a prospectus for such offer. In relation to each Relevant Member State which has implemented the Prospectus Directive, each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive, and in compliance with Article 3.2(a) of the Prospectus Directive as amended, if applicable, by the implementation of the 2010 PD Amending Directive in the Relevant Member State;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (Financial Promotion) order 2005 (the "Order") by, a person authorized under the Order. Each initial purchaser has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer (b) and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

The notes may not be offered or sold to persons in the United Kingdom except to persons who are authorized and regulated by the Financial Services Authority or to persons who have professional experience in matters of investment within the meaning of Article 19 of the Order. This offering memorandum and any other communication in connection with the offering and issuance of the notes is intended for and directed at and may only be issued or passed on to a person authorized and regulated by the Financial Services Authority or to a person of a kind described in either Article 19 or Article 49(2) of the Order or a person to whom this offering memorandum or any other such communication may otherwise lawfully be issued or passed on (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

NOTICE TO INVESTORS IN FRANCE

This offering memorandum and any other offering material relating to the notes have not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the "AMF") and therefore has not been and will not be submitted for clearance to the AMF or to the competent authority of another member state of the EEA and notified to the AMF. Consequently, the notes are not being offered or sold, directly or indirectly, to the public in France and this offering memorandum and any other offering material relating to the notes have not been and will not be distributed or caused to be distributed to the public in France. Offers, sales and distributions of the notes in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their own accounts or to a closed circle of investors (*cercle restreint d'investisseurs*) acting for their own accounts, and/or to providers of the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) as defined in, and in accordance with, Articles L.411-2 and D.411-1 to D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. The notes so acquired may only be resold, directly or indirectly, to the public in France, in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

NOTICE TO INVESTORS IN JAPAN

The notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, "Japanese person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

NOTICE TO INVESTORS IN HONG KONG

Each initial purchaser has represented and agreed that:

(a) it has not offered nor sold and will not offer nor sell in Hong Kong, by means of any document, any notes other than: (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued nor had in its possession for the purposes of issue, and will not issue nor have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

NOTICE TO INVESTORS IN SINGAPORE

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, each initial purchaser has represented and agreed that it has not offered nor sold and that it will not offer nor sell any notes nor cause such notes to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the SFA; (b) to a relevant person, or any person pursuant to Section 275(1 A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

The notes will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, DTC and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. The global notes offered under Regulation S under the Securities Act, if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through Euroclear or Clearstream. After the initial issuance of the global notes, certificated notes may be issued in registered form only in very limited circumstances, which shall be in minimum denominations of U.S.$2,000 and integral multiples of U.S.$1,000. See "Book-Entry, Delivery and Form" for further discussion of these matters.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

None of us, the initial purchasers, or any of our or their respective affiliates or representatives is making any representation to any offeree or purchaser of the notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

For this offering, we and the initial purchasers are relying upon exemptions from registration under the Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the Securities Act. **Prospective investors are hereby notified that sellers of the notes may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A.** The notes are subject to restrictions on transferability and resale. Purchasers of the notes may not transfer or resell the notes except as permitted under the Securities Act and applicable state securities laws. See “Transfer Restrictions”. Prospective investors should thus be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The distribution of this offering memorandum and the offer and sale of the notes may, in certain jurisdictions, be restricted by law. Each purchaser of the notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the notes or possesses or distributes this offering memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. There are restrictions on the offer and sale of the notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the EEA, the United Kingdom, France, Japan, Hong Kong and Singapore, and to persons connected therewith. See “Plan of Distribution—Selling Restrictions”.

Investors should contact the initial purchasers with any questions about this offering or if they require additional information to verify the information contained in this offering memorandum.

Neither the United States Securities and Exchange Commission (“SEC”) nor any state securities commission has approved or disapproved of these notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

ENFORCEABILITY OF CIVIL LIABILITIES

GDF SUEZ is a *société anonyme*, i.e., a company with limited liability, organized under the laws of France with its registered office and principal place of business in France. A majority of its directors and officers are not residents of the United States, and all or a substantial portion of their assets are located outside the United States. A substantial portion of the Company’s assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons.

It may also be difficult to enforce against them, either inside or outside the United States, judgments obtained against them in U.S. courts, or to enforce in U.S. courts, judgments obtained against them in courts in jurisdictions outside the United States, in any action based on civil liabilities under the U.S. federal securities laws. There is some doubt as to the enforceability against such persons in France, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. Actions in the United States under the U.S. federal securities laws could be affected under certain circumstances by the French law No. 68-678 of July 26, 1968, as modified by the French law No. 80-598 of July 16, 1980 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons) which may preclude or restrict the obtaining of evidence in France or from French persons in connection with a judicial or administrative U.S. action. Additionally, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in France.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains “forward-looking statements.” These forward-looking statements express the intent, belief or current expectations of us and our respective directors and officers about us and our businesses. Generally, words such as “may,” “will,” “believe,” “expect,” “intend,” “aim,” “seeks,” “plan,” “project,” “estimate,” “anticipate” and similar expressions commonly identify forward-looking statements.

Examples of forward-looking statements in this prospectus include those regarding growth prospects for the market for natural gas and energy, and information relating to our objectives, financial performance, dividends and investments. We caution investors not to place undue reliance on our forward-looking statements. They involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievement, or our industry’s results, to be materially different from any future results, performance or achievements expressed or implied in this offering memorandum.

A wide range of factors could materially affect future developments and performance, including the following:

- changes in commodity prices (principally natural gas, crude oil, electricity, coal and other fuels utilized in our thermal and nuclear generation, and CO_2 Certificates) and the contractual terms upon which we procure and sell commodities;
- a significant reduction in the anticipated growth in consumption of natural gas, electricity and water consumption and waste production;
- increased competition in the natural gas, electricity sectors, waste treatment and recycling sector, including as a result of deregulation of certain electricity and natural gas markets;
- problems at our nuclear facilities, including mechanical or structural problems or storage, handling or disposal of radioactive materials;
- industrial accidents and occupational illness, which could cause business interruptions or significant financial losses or liability;
- the risk that we may fail to obtain or renew required permits, authorizations or concessions;
- seasonality and fluctuation in weather conditions;
- the risk that the balancing of the purchase from suppliers and sale to customer of natural gas and electricity could be adversely affected by unanticipated events;
- the impact of any acquisitions that we may make and partnerships we enter into;
- changes in political and economic conditions in developing countries where we are present, which could adversely affect its investments in those countries;
- changes in political and economic conditions in countries important to global energy and commodity markets, which could adversely affect supply, prices and gas/oil price spreads;
- the risk that we are not able to attract or retain sufficient skilled employees;
- failure of our information technology systems;
- opposition from local communities that perceive our presence to be negative from an environmental, social or economic perspective;
- limits on our insurance coverage;
- labor disputes, which may lead to increased costs or disruption of operations;

- tax regimes in the countries in which we operate;
- retirement commitments;
- changes in laws and regulations relating to the gas and electricity industries, as well as environmental, social, health or safety laws and regulations (and the interpretation or enforcement thereof);
- decisions by regulators concerning the rates that we may charge for the sale of natural gas and for the use of infrastructure;
- regulations of certain European countries, which could limit our expansion outside France;
- increased costs related to the reorganizations required by the opening of the gas market;
- stricter national and international standards relating to climate change and related costs;
- the risk that adverse capital and credit market conditions affect our ability to meet liquidity needs, our access to capital and the cost of capital;
- the effects of economic slowdowns; and
- exchange and interest rate fluctuations.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive, and should be read in conjunction with other factors that are set forth in this prospectus. See “Risk Factors”. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Forward-looking statements speak only as of the date of this offering memorandum. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this offering memorandum to reflect any change in its expectations or any change in events, conditions or circumstances, on which any forward-looking statement contained in this offering memorandum is based.

CURRENCY PRESENTATION

In this offering memorandum, references to “€”, “euro” and “euro cents” are to the single currency of the participating member states (“Member States”) in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. References to “U.S. dollars,” “U.S.$” and “$” are to the United States dollar and references to “cents” are to United States cents, each the lawful currency of the United States of America.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We maintain our financial books and records in euros. The financial information contained in this offering memorandum includes (i) the audited consolidated financial statements of GDF SUEZ S.A. and its consolidated subsidiaries (the “GDF SUEZ Group”) as of and for the fiscal years ended December 31, 2011 and 2010 (the “FY 2011 financial statements”), (ii) the audited consolidated financial statements of the GDF SUEZ Group as of and for the fiscal years ended December 31, 2010 and 2009 (the “FY 2010 financial statements”), (iii) the audited consolidated financial statements of the GDF SUEZ Group as of and for the fiscal years ended December 31, 2009 and 2008 (the “FY 2009 financial statements”, and together with the FY 2011 and FY 2010 financial statements, the “Audited Consolidated Financial Statements”) and (iv) consolidated financial and operating information as of and for the six-month period ended June 30, 2012 and 2011 in accordance with IAS 34 “*Interim Financial Reporting*” (the “Unaudited Condensed Interim Financial Statements”). In each case, the Audited Consolidated Financial

Statements and Unaudited Condensed Interim Financial Statements contain the notes thereto. Our Audited Financial Statements have been audited by Mazars, Ernst & Young et Autres and Deloitte & Associés, independent auditors. The reports of Mazars, Ernst & Young et Autres and Deloitte & Associés on our Audited Consolidated Financial Statements appear elsewhere in this offering memorandum.

Non-IFRS measures

The main trading indicators used in this offering memorandum are defined as follows:

- *Organic growth*: percent change in a given indicator from one period to another on a constant exchange rate and scope of consolidation basis.

- *Reported figures*: data that has not been restated for the impact of the Group's acquisitions, disposals and exchange rate fluctuations, presented on a current scope of consolidation and current exchange rate basis.

For further information, see "Operating and Financial Review and Prospects of GDF SUEZ – Basis of Presentation – Non-IFRS Measures."

ADDITIONAL INFORMATION

While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144(A)(d)(4)(i) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

You may obtain copies, without charge, of the fiscal and paying agency agreement that governs the notes by requesting them in writing or by telephone at the address and phone number below:

GDF SUEZ
Attention: Investor Relations
1, place Samuel de Champlain
92400 Courbevoie
France
Telephone number: +33 1 44 22 00 00

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rates for the euro expressed in U.S. dollars per euro. Information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). These rates are provided solely for convenience and no representation is made that euros were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. These rates were not used by us in the preparation of our audited and unaudited consolidated financial statements included elsewhere in this offering memorandum. The noon buying rate on September 28, 2012 was $1.2856 per euro.

	U.S. Dollars per Euro Exchange Rate			
Year ended December 31,	**Closing Rate**	**Average Rate[(1)]**	**High**	**Low**
2011	1.2973	1.4002	1.4875	1.2926
2010	1.3269	1.3218	1.4536	1.1959
2009	1.4332	1.3955	1.5100	1.2547
2008	1.3919	1.4695	1.6010	1.2446
2007	1.4603	1.3797	1.4862	1.2904
Month				
January 2012	1.3053	1.2910	1.3192	1.2682
February 2012	1.3359	1.3238	1.3463	1.3087
March 2012	1.3334	1.3208	1.3336	1.3025
April 2012	1.3229	1.3160	1.3337	1.3064
May 2012	1.2364	1.2806	1.3226	1.2364
June 2012	1.2668	1.2541	1.2703	1.2420
July 2012	1.2315	1.2278	1.2620	1.2062
August 2012	1.2578	1.2406	1.2583	1.2149
September 2012	1.2856	1.2885	1.3142	1.2566

(1) The average rate for each period is the average of the noon buying rates on the last day of each month during that period.

SUMMARY

You should read the following summary together with the risk factors and the more detailed information about us and our financial results included elsewhere in this offering memorandum.

Overview

We are one of the world's leading energy companies and a benchmark in the fields of gas, electricity, energy services and the environment.

We operate throughout the entire energy value chain, in electricity and natural gas, upstream to downstream, in purchasing, production and marketing of natural gas and electricity; transmission, storage, distribution, operation and development of major natural gas infrastructures; energy services and services related to environmental management (water, waste).

Our business model is well-balanced with complementary activities across the value chain. Our revenues are balanced between gas, electricity and services and we operate in regions exposed to different business and economic cycles, with a strong presence in emerging markets. We are also balanced between activities exposed to market uncertainties and others that offer recurring revenues (infrastructure, power purchase agreements (PPAs), water regulated activities, etc). Finally, we have a balanced energy mix including low- and zero-carbon energy sources.

Through our offers to industrial and commercial customers, we have kept a substantial market share in our traditional markets and have established ourselves as a major player in continental Europe's largest markets. We are now a leading player on the European markets. In 2010, we were ranked the world's largest listed utility in Forbes' annual ranking of the 2,000 largest listed global companies (24th in the general category, 3rd French company).

We are listed in Brussels (Belgium), Luxembourg and Paris (France), and represented in the following international indices: CAC 40, BEL 20, DJ Stoxx 50, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe and ASPI Eurozone. Following our deregistration with the SEC on October 30, 2009, we also maintain an unlisted Level 1 ADR Program.

The GDF SUEZ Center (based both in Paris and Brussels) is responsible for strategic orientations and financial performance, and in particular for:

- defining and adapting structures;
- developing broad functional policies (finance, strategy, audit, internal control, risk management, human resources, office of general secretary, legal, communications, research-innovation, performance, information systems, purchasing, safety, etc.);
- controlling and overseeing the implementation of internal policies and procedures;
- steering functional lines;
- steering transversal processes, in particular developing synergies between operating segments;
- and within shared service centers and centers of expertise, steering missions that can be shared by several operating segments.

GDF SUEZ S.A. is an operating company and not simply a holding company vis-à-vis its subsidiaries. At the end of 2011, the number of our direct or indirect subsidiaries (controlling interest) was approximately 2,400. Our main consolidated companies are listed in Note 28 of our FY 2011 financial statements.

Our registered office is located at 1, place Samuel de Champlain, 92400 Courbevoie, France; our telephone number is (33) 1 44 22 00 00 and our website address is *www.gdfsuez.com*. The information on our website is not a part of this offering memorandum.

Significant Events Since June 30, 2012

Jirau Hydro project. On October 1, 2012, BNDES (the Brazilian Development Bank) confirmed an additional loan of up to BRL 2.3 billion (€0.9 billion) to the Jirau project in Brazil, potentially increasing the total project debt available to BRL 9.5 billion (€3.6 billion). Furthermore, we acquired an additional 9.9% equity holding from Camargo Correa ("Camargo") in the Jirau hydro power plant subject to the terms of the existing shareholder agreement at a price based on Camargo's adjusted equity contributions in the project to date. This acquisition is subject to regulatory approval and is expected to be completed by December 31, 2012.

Swiss Franc bond issuance. On September 14, 2012, we priced a 450 million Swiss Franc bond issuance (around €370 million) in two tranches: 8 year tranche of 275 million Swiss Francs with a 1.125% coupon and a 12 year tranche of 175 million Swiss Francs with a 1.625% coupon. This financing has been swapped into Euro floating rate at an average spot level of 1.16%. The issuance is expected to settle on October 9, 2012.

Buyback of International Power Shares. On July 13, 2012, we purchased, for €620 million, 118 million International Power shares that had been created following the conversions carried out between July 1, 2012 and July 10, 2012 by the holders of bonds convertible into International Power shares (the "International Power Convertible Bonds"). On September 11, 2012, we purchased, for €1,208 million, 228 million International Power shares that had been created following the conversions carried out between July 11, 2012 and August 28, 2012 by the holders of International Power Convertible Bonds. These transactions led to a €718 million rise in net debt and a €345 million reduction in total shareholders' equity, in light of the derecognition of (i) debt corresponding to the bonds converted into shares, the carrying amount of which totaled €1,110 million at June 30, 2012, (ii) the derivate instrument related to the optional value embedded in the convertible bonds issued in US dollar which amounted to €518 million and (iii) the related €145 million in deferred tax assets. A further €25 million of the residual International Power Convertible Bonds were redeemed at par plus accrued interest on September 27, 2012.

French natural gas tariff freeze. On July 10, 2012, further to claims filed by GDF SUEZ and the French association of energy retail operators (*Association nationale des opérateurs détaillants en énergie – ANODE*), the *Conseil d'État* (France's highest administrative court) canceled the decree of September 29, 2011 on regulated natural gas prices issued by the Ministers for Economic Affairs and Energy. In its decision on the merits, *the Conseil d'État* held that the decree was vitiated by an error of law, in that it set the prices at a level lower than that which would have resulted from the application of the pricing formula as defined under current regulations.

According to the *Conseil d'État*, if the Ministers believed that it was necessary to alter the pricing formula due to changes in supply costs, they should have altered the formula before setting any new prices. The *Conseil d'État* instructed the Ministers to issue a new decree, within one month, setting prices for the period from October 1, 2011 to January 1, 2012 in accordance with current regulations. Such decree was published on August 1, 2012.

The freeze of regulated natural gas prices over the last quarter of 2011 resulted in an estimated shortfall amounting approximately to €290 million. The financial consequences of the decision of the *Conseil d'État* and of the decree of August 1, 2012 will be recognized during the second half of 2012.

In addition, the ministerial decree of July 18, 2012 set the increase in regulated natural gas prices in France at 2% for the period from July 20, 2012 to December 31, 2012. The government's decision to limit the July increase to 2% is not enough to cover the supply costs of GDF SUEZ, as was pointed out by the French Energy Regulation Commission (CRE) in its July 17 proceedings. Pursuant to the ministerial decree of September 26, 2012, an additional 2% increase was applied to regulated natural gas prices in France effective October 1st, 2012. However, we consider that these price changes will not enable us to cover all our natural gas supply costs and other costs.

€1.5 billion bond offering. On July 10, 2012, we completed a €1,500 million bond issue in two tranches of €750 million each: a first tranche expiring in July 2017 and paying interest of 1.5%; a second tranche expiring in July 2022 and paying interest of 2.625%. This offering was carried out to finance the acquisition of non-controlling interests in International Power. It reduces the syndicated credit facility entered into on May 4, 2012 (see Note 6.3.2.2 of our HY 2012 financial statements), with the remaining amount drawn or available under the facility of €1.5 billion.

Belgian nuclear power production -- decisions by the Belgian government and Doel 3 / Tihange 2 nuclear facility operations. The Belgian Council of Ministers announced a series of decisions on the electricity market following its meetings on July 4 and July 20, 2012. In particular, the Belgian government confirmed the following schedule and removed the possibility – provided for by Article 9 of the Act of 2003 on the phase-out of nuclear power – to derogate from the phase-out schedule by ordinary Royal Decree:

- the Doel 1 and Doel 2 reactors will be closed in 2015, while the operating lifetime of Tihange 1 will be extended by ten years until 2025;
- the Doel 3, Tihange 2 and Tihange 3/Doel 4 reactors will be closed in 2022, 2023 and 2025, respectively.

The Council of Ministers also announced certain other decisions, including the offering to the market of the nuclear capacity that would be extended. It also confirmed its intent to continue receiving a nuclear contribution during the current parliamentary term.

The Group publicly expressed that as a result of these decisions the Belgian government was not complying with the Memorandum of Understanding entered into in October 2009, as described above under "Regulation – Belgian Framework", which contains firm and reciprocal commitments that are binding on the parties, especially as regards the ten-year extension of the lifespans of the Doel 1, Doel 2 and Tihange 1 nuclear power plants.

No information was provided that allows us to assess the economic sustainability of the nuclear capacity that would be extended and offered to the market. At this stage, the content and consequences of most of these announcements remain unclear, both in terms of the energy landscape as a whole and the conditions in which the measures announced are to be implemented and applied. Accordingly, and pending further clarification, we are prepared to meet with the government to put forward our position and obtain the necessary clarifications on the economic aspects.

At this stage, on the basis of the information available at the date of publication and of independent expert reports, we have not modified our position with respect to our vision of the power industry and, in particular, we consider that a nuclear power production will still be necessary to ensure the security of supply in Belgium beyond 2025.

Based on the above, we consider that these decisions do not have an impact on our consolidated financial statements and, in particular, the recoverable amount of the related depreciable assets and goodwill is still higher than their carrying amount.

In addition, within the framework of the 10-year inspection on Doel 3 which started on June 1, 2012, Electrabel performed tests in order to ensure that the reactor vessel is exempt from a certain types of defects (so-called "undercladding defects") which were in the past detected in the EDF nuclear plants of Tricastin and Fessenheim (France). The inspections in Doel 3 did not reveal any presence of undercladding defects, but other indications were found which could not be immediately justified. Experts have further investigated these indications and assume that these indications constitute so-called "hydrogen-related defects". Additional analyses are in progress and during these analyses plant operation is halted until an estimated date of December 1, 2012. The results of the analyses will be submitted to the Belgian FNCA (Federal Nuclear Control Agency). The reactor of Doel 3 will not restart operations without formal agreement by the FNCA.

The Tihange 2 reactor vessel, given its similar characteristics and fabrication origin, is currently undergoing a similar inspection as Doel 3. Indications of a nature identical to those found in Doel 3 were detected. Tests and analysis in progress will continue and will be presented to the competent authorities for a decision regarding restarting the plant.

Natural Gas Tariffs. Since July 1, 2012, GrDF has applied the ATRD4 tariff set by the deliberations on February 28, 2012 by the ERC**,** applicable for a period of four years. The ATRD4 tariff represents an 8% increase as of July 1, 2012, compared to the prior ATRD3 tariff, and provides for yearly increase in rates by inflation +0.2%.

Also, from July 31, 2012 to September 21, 2012, the ERC sought public comments with respect to a new transmission tariff (ATRT5) which could be implemented as from April 1, 2013. LNG terminal tariffs are also expected to be renewed as of April 1, 2013.

Prospects

In line with our policy of providing shareholders a sustainable and competitive return, we have confirmed a stable or increased dividend for 2012 compared with 2011 assuming average weather conditions and a stable regulatory environment. On April 23, 2012, our shareholders' meeting resolved that a €1.50 dividend per share would be paid for 2011 and gave shareholders the choice as to whether the remaining €0.67 per share would be paid in cash or stock. The balance of the dividend was paid in May 2012. €341 million was paid in cash and €1,134 million was paid in stock. On October 25, 2012, GDF SUEZ will pay an interim dividend of €0.83/share for fiscal year 2012 whose ex-dividend date is set for September 25, 2012. In connection with financing for the buyout of International Power minority interests, GDF SUEZ shareholders exceptionally have the possibility of receiving this interim dividend in the form of shares. Our two largest shareholders have indicated that they will opt to receive this dividend in the form of shares.

For the second half of 2012, in an economic environment that promises to be difficult, we will pursue our action plan aimed at optimizing costs and Group performance, while maintaining our dynamic social policy in order to leverage the know-how of our employees.

We expect legislative developments in the autumn of 2012 regarding the Belgian government's declarations related to future of the nuclear sector, including the decision to closing of Doel 1 and Doel 2 (i.e. 866MW) at the end of the authorized period at present in 2015 and the possible extension of the operating lifetime of Tihange 1 by ten years until 2015. See "Operating and Financial Review and Prospects of GDF SUEZ – Regulation – Belgian Framework". To proceed with the prolongation of Tihange 1, for which we estimate a further cost of €600 million (Group share €300 million), we require a clear and stable legal framework, allowing us to evaluate the economic profitability of such investment. Further, we estimate that the closing of Doel 1 and 2 could reduce net income before tax by approximately €100 million after 2015. Generally speaking, we have not, at this stage, changed our industrial vision on the sector and are waiting for the necessary precisions on the conditions of implementation.

Recent developments with respect to natural gas tariffs in France are also evolving and could impact our results of operations. Following the French *Conseil d'État*'s cancellation of the tariff freeze from October 1, 2011 to January 1, 2012, as discussed under "Operating and Financial Review and Prospects of GDF SUEZ – Current Trading and Prospects – Significant Events Since June 30, 2012 – French natural gas tariff freeze" we will be billing our customers an estimated €290 million, assuming average weather conditions and excluding invoicing costs or net present value adjustments, over a period permitting to reduce the impact of their purchasing power. The government's decision to limit the July increase to 2% was not enough to cover the supply costs of GDF SUEZ, as was pointed out by the French Energy Regulation Commission (CRE) in its July 17 proceedings.

Pursuant to the ministerial decree of September 26, 2012, an additional 2% increase was applied to regulated natural gas prices in France effective October 1st, 2012. However, we consider that this further price increase will not enable us to cover all our natural gas supply costs and other costs.

Although we are pursuing our discussions with the government to establish a progressive tariff and expand the social welfare tariff to protect households in difficulty, the level of rate increase for future periods is subject to uncertainty.

We also are continuing our negotiations with our long-term natural gas suppliers with the continuing objective of maintaining the profitability of our gas supply activity.

Our investment portfolio anticipates gross capital expenditure of approximately €10-11 billion in FY 2012 (excluding our buyout of minority interests in International Power plc) and approximately €9-11 billion per year over 2013 – 2015. Excluding our buyout of minority interests in International Power plc, we had €4,709 billion in gross capital expenditure in HY 2012.

As of the date hereof, GDF SUEZ S.A. has a rating of A1/P-1 with negative outlook from Moody's and a A/A-1 with stable outlook rating from Standard & Poor's. A credit rating reflects an assessment by the rating agency of the credit risk associated with particular securities issued or guaranteed by us based on information provided by us and other sources. Credit ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets.

We believe that a corporate rating for us below the "A" category or its equivalents would limit our ability to operate efficiently in the international energy markets. Accordingly, we have established our financial policies and capital structure objectives in a manner that we believe would, under normal market conditions, ensure that we maintain ratings at or above "A". In particular, we plan to maintain net debt less than or equal to approximately 2.5 times our EBITDA, and seek to achieve this ratio for 2012, assuming average weather conditions, full pass through of natural gas supply costs in regulated gas tariffs in France and a stable regulatory environment, in part through the increase in the portfolio optimization program from €10 billion to €13 billion over 2011-2013, as discussed under "Operating and Financial Review and Prospects of GDF SUEZ —Factors Affecting Results of Operations –Portfolio Optimization."

The Offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the notes.

Issuer	GDF SUEZ S.A. (the "Issuer").
Notes Offered	$750,000,000 aggregate principal amount of 1.625% notes due 2017 (the "2017 notes") and $750,000,000 aggregate principal amount of 2.875% notes due 2022 (the "2022 notes" and, together with the 2017 notes, the "notes"). The notes will be issued under a Fiscal Agency Agreement expected to be dated as of October 10, 2012 (the "Fiscal Agency Agreement") between us and Citibank, N.A., London Branch, as Fiscal Agent.
Issue Date	October 10, 2012.
Maturity Dates	2017 notes: October 10, 2017. 2022 notes: October 10, 2022.
Ranking of the Notes	The notes will be unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* and equally and ratably in right of payment without any preference among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer. See "Description of the Notes — Ranking."
Interest Rates	The 2017 notes will bear interest from the issue date at the rate of 1.625% per annum, payable semi-annually in arrears. The 2022 notes will bear interest from the issue date at the rate of 2.875% per annum, payable semi-annually in arrears.
Interest Payment Dates	2017 notes: April 10 and October 10 of each year, commencing on April 10, 2013. 2022 notes: April 10 and October 10 of each year, commencing on April 10, 2013.
Interest Periods	Interest will begin to accrue on the notes commencing on October 10, 2012. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.
Form and Denomination	The notes will be issued in registered form without coupons and transferable in denominations of U.S.$2,000 and integral multiples of U.S.$1,000 in excess thereof.
Payment of Additional Amounts	If the law of a Relevant Jurisdiction (as defined below) should require that payments of principal or interest made by the Issuer in respect of any note be subject to deduction or withholding in respect of any present or

	future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by, within or on behalf of, a Relevant Jurisdiction, the Issuer will, to the extent then permitted by law, pay such additional amounts ("additional amounts") as shall result in receipt by the noteholder of such amounts as would have been received by them had no such deduction or withholding been required, subject to certain exceptions. See "Description of the Notes — Additional Amounts."
Optional Redemption in General	The Issuer will have the right at its option to redeem the notes, in whole or in part, at any time or from time to time prior to their maturity, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points in case of the 2017 notes and 25 basis points in case of the 2022 notes, plus accrued interest (including additional amounts, if any) on the principal amount up to, but not including, the date of redemption. See "Description of the Notes — Redemption — Optional Redemption in General."
Optional Redemption for Tax Reasons.........................	If, by reason of change in the law of a Relevant Jurisdiction we would on the occasion of the next payment of principal or interest due in respect of the notes, not be able to make such payment without having to pay certain additional amounts, we may, on any Interest Payment Date, redeem all, but not less than all, of the notes, at their principal amount with accrued interest (if any) to the date set for redemption and any additional amounts, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for such taxes. We are required to redeem all, but not less than all, of each series of notes, at their principal amount with accrued interest (if any) to the date set for redemption, if we were prevented by the law of a Relevant Jurisdiction from making payment to you of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts. See "Description of the Notes — Redemption — Optional Redemption for Taxation Reasons."

Covenants of the Issuer	The terms and conditions of the notes provide for a limited negative pledge and restrictions on certain merger transactions, and for certain events of default. There are no covenants restricting the ability of our company or our subsidiaries to make payments, incur indebtedness, issue and sell capital stock, enter into transactions with affiliates or engage in business other than our present business. See "Description of the Notes — Covenants — Negative Pledge," "Description of the Notes — Covenants — Consolidation, Merger and Sale of Assets" and "Description of the Notes — Events of Default."
Further Issuances	The Issuer may issue further notes of any series and increase the principal amount of any series of notes having the same ranking, interest rate and maturity as any series of notes being offered pursuant to this offering memorandum and other terms as the issued series; provided that any such further notes that are not fungible with the previously issued series of notes for U.S. federal income tax purposes must have a CUSIP, ISIN, common code and/or any other identifying number that is different from that of the outstanding notes. Purchasers of notes after the date of any further issue will not be able to differentiate between notes sold as part of the further issue and previously issued notes. The Issuer may not issue additional notes if an event of default has occurred.
Defeasance	The Issuer at any time may terminate all its obligations under the notes and the Fiscal Agency Agreement, except for certain obligations. The Issuer at any time may also terminate: (a) its obligations described under "Description of the Notes — Covenants — Negative Pledge," and "Description of the Notes — Covenants — Consolidation, Merger and Sale of Assets" (b) the operation of certain clauses constituting an event of default. See "Description of the Notes — Defeasance and Covenant Defeasance."
Governing Law	New York.
Listing	None.
Use of Proceeds	Our net proceeds from this offering will be approximately U.S.$1,480,132,500, after deducting the initial purchasers' fees and commissions. We intend to use the net proceeds from the offering for the partial repayment of amounts drawn under the €6 billion dedicated syndicated credit facility we entered into on May 4, 2012 in connection with the acquisition of the non-controlling interests in International Power plc and otherwise for general corporate purposes. See "Use of Proceeds."

Fiscal Agent	Citibank, N.A., London Branch.
Transfer Restrictions	The notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on resale and transfer.
Timing and Delivery	We currently expect delivery of the notes to occur on October 10, 2012.
Risk Factors	An investment in the notes involves certain risks that a potential investor should carefully evaluate prior to making an investment in the notes. See "Risk Factors."
Expected Ratings	The 2017 notes are expected to be assigned a rating of "A1" (outlook negative) by Moody's and "A" (outlook stable) by S&P. The 2022 notes are expected to be assigned a rating of "A1" (outlook negative) by Moody's and "A" (outlook stable) by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant credit organization.

Security Codes

2017 notes

CUSIP	144A: 36160BAB1 Regulation S: F42768GN9
ISIN	144A: US36160BAB18 Regulation S: USF42768GN96

2022 notes

CUSIP	144A: 36160BAA3 Regulation S: F42768GM1
ISIN	144A: US36160BAA35 Regulation S: USF42768GM14

Summary Consolidated Financial and Operating Information of GDF SUEZ as of and for the Years Ended December 31, 2011, 2010 and 2009 and as of and for the Six-Month Periods Ended June 20, 2011 and June 30, 2012

The following tables present our summary consolidated financial and operating information as of and for the years ended December 31, 2011, 2010 and 2009, in accordance with IFRS as adopted by the European Union, and as of and for the six-month period ended June 30, 2012 and 2011 in accordance with IAS 34 *"Interim Financial Reporting*". This information should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements, Unaudited Condensed Interim Financial Statements and the section entitled "Operating and Financial Review and Prospectus of GDF Suez" appearing elsewhere in this offering memorandum.

Statements of Financial Position

Assets

	HY 2012	HY 2011	FY 2011	FY 2010(1)	January 1, 2010(1)	FY 2009
	(in millions of €)					
Non-Current Assets						
Intangible assets, net	13,392	12,810	13,226	12,780	11,420	11,420
Goodwill	30,710	30,278	31,362	27,933	28,355	27,989
Property, plant and equipment, net	89,952	88,866	90,120	78,703	69,665	69,665
Available-for-sale securities	3,288	3,813	3,299	3,252	3,563	3,563
Loans and receivables at amortized cost	3,839	4,519	3,813	2,794	2,426	2,426
Derivative instruments	3,053	2,490	2,911	2,532	1,927	1,927
Investments in associates	2,953	2,552	2,619	1,980	2,176	2,176
Other non-current assets	1,173	1,411	1,173	1,440	1,696	1,696
Deferred tax assets	1,368	1,557	1,379	1,909	1,659	1,419
TOTAL NON-CURRENT ASSETS	**149,728**	**148,297**	**149,902**	**133,323**	**122,886**	**122,280**
Current Assets						
Loans and receivables at amortized cost	1,406	1,017	1,311	1,032	947	947
Derivative instruments	5,571	7,672	5,312	5,739	7,405	7,405
Trade and other receivables, net	23,912	25,483	23,135	20,501	18,915	19,748
Inventories	5,114	5,108	5,435	3,870	3,947	3,947
Other current assets	8,377	7,684	9,455	6,957	5,094	5,094
Financial assets at fair value through income	1,004	1,524	2,885	1,713	1,680	1,680
Cash and cash equivalents	18,318	10,372	14,675	11,296	10,324	10,324
Assets held for sale	660		1,298	0	0	n/a
TOTAL CURRENT ASSETS	**64,362**	**58,860**	**63,508**	**51,108**	**48,312**	**49,145**
TOTAL ASSETS	**214,090**	**207,156**	**213,410**	**184,430**	**171,198**	**171,425**

(1) Comparative amounts at January 1, 2010 and for the year ended December 31, 2010 have been restated as a result of an error discovered in the computation of the "gas in the meter" receivable accounted for in the Energy – France segment described in Note 1.2 to our FY 2011 financial statements.

Liabilities

	HY 2012	HY 2011	FY 2011	FY 2010[(1)]	January 1, 2010[(1)]	FY 2009
			(in millions of €)			
Shareholders' equity	62,217	63,211	62,930	62,114	60,194	60,285
Non-controlling interests	11,440	15,578	17,340	8,513	5,241	5,241
TOTAL EQUITY	**73,657**	**78,789**	**80,270**	**70,627**	**65,436**	**65,527**
Non-Current Liabilities						
Provisions	14,723	13,308	14,431	12,989	12,790	12,790
Long-term borrowings	43,988	41,687	43,375	38,179	32,155	32,155
Derivative instruments	3,781	2,651	3,310	2,104	1,792	1,792
Other financial liabilities	343	778	684	780	911	911
Other non-current liabilities	2,120	2,394	2,202	2,342	2,489	2,489
Deferred tax liabilities	12,492	13,793	13,038	12,437	11,856	11,856
TOTAL NON-CURRENT LIABILITIES	**77,447**	**74,612**	**77,040**	**68,830**	**61,993**	**61,993**
Current Liabilities						
Provisions	1,786	1,548	1,751	1,480	1,263	1,263
Short-term borrowings	21,826	10,960	13,213	9,059	10,117	10,117
Derivative instruments	5,160	7,742	5,185	5,738	7,170	7,170
Trade and other payables	17,656	18,708	18,387	14,835	12,887	12,887
Other current liabilities	16,155	14,799	16,738	13,861	12,332	12,469
Liabilities directly related to assets held for sale	403		827	0	0	
TOTAL CURRENT LIABILITIES	**62,986**	**53,755**	**56,100**	**44,973**	**43,769**	**43,905**
TOTAL EQUITY AND LIABILITIES	**214,090**	**207,156**	**213,410**	**184,430**	**171,198**	**171,425**

(1) Comparative amounts at January 1, 2010 and for the year ended December 31, 2010 have been restated as a result of an error discovered in the computation of the "gas in the meter" receivable accounted for in the Energy – France segment described in Note 1.2 to our FY 2011 financial statements.

Income Statements

	HY 2012	HY 2011	FY 2011	FY 2010	FY 2009
			(in millions of €)		
Revenues	50,535	45,678	90,673	84,478	79,908
Purchases	(27,546)	(23,534)	(46,695)	(44,672)	(41,406)
Personnel costs	(6,625)	(6,395)	(12,775)	(11,755)	(11,365)
Depreciation, amortization and provisions	(3,589)	(3,425)	(7,115)	(5,899)	(5,183)
Other operating income and expenses, net	(7,340)	(7,093)	(15,110)	(13,356)	(13,607)
CURRENT OPERATING INCOME	**5,436**	**5,231**	**8,978**	**8,795**	**8,347**
Mark-to-market on commodity contracts other than trading instruments	295	(95)	(105)	(106)	(323)
Impairment of property, plant and equipment, intangible assets and financial assets	(361)	(63)	(532)	(1,468)	(472)
Restructuring costs	(78)	(51)	(189)	(206)	(179)
Changes in scope of consolidation	33	592	1,514	1,185	367
Other non-recurring items	243	51	18	1,297	434
INCOME FROM OPERATING ACTIVITIES	**5,569**	**5,664**	**9,684**	**9,497**	**8,174**
Financial expenses	(2,220)	(1,613)	(3,383)	(2,810)	(2,638)
Financial income	692	538	778	589	1,010

	HY 2012	HY 2011	FY 2011	FY 2010	FY 2009
			(in millions of €)		
NET FINANCIAL LOSS	**(1,528)**	**(1,075)**	**(2,606)**	**(2,222)**	**(1,628)**
Income tax expense	(1,208)	(1,371)	(2,119)	(1,913)	(1,719)
Share in net income of associates	261	300	462	264	403
NET INCOME	**3,094**	**3,519**	**5,420**	**5,626**	**5,230**
Net income Group share	2,331	2,738	4,003	4,616	4,477
Non-controlling interests	763	781	1,418	1,010	753
EARNINGS PER SHARE (€)	**1.05**	**1.25**	**1.8**	**2.1**	**2.05**
DILUTED EARNINGS PER SHARE (€)	**1.03**	**1.24**	**1.8**	**2.1**	**2.03**

RISK FACTORS

An investment in the notes entails risks. There are a number of factors, including those specified below, which may adversely affect our ability to make payments under the notes. You could therefore lose a substantial portion or all of your investment in the notes. You should consider carefully the following risks, together with the risks contained elsewhere in this offering memorandum and reach your own views, based on your own judgment and upon advice from such financial, legal and tax advisers as you have deemed necessary, prior to making any investment decision.

The order in which the risks are presented below is not indicative of their likelihood of occurrence, the potential magnitude of their financial consequences or their respective materiality.

The risks described below are not the only ones we may face. Additional risk factors not currently known or which are currently deemed immaterial may also impair our operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risks.

Our business operations and energy trading activities are sensitive to prevailing commodity prices.

We trade natural gas, electricity, coal, oil and oil products and other fuels as well as certain greenhouse gas emission rights ("CO Certificates") on the spot market and other competitive markets for supply purposes or to secure access to the wholesale energy market. We enter into derivative contracts and a variety of other instruments to purchase and sell natural gas, electricity, coal, oil and oil products and CO Certificates as part of our energy trading operations or for our own use.

With respect to such transactions, our revenues and results of operations are likely to depend, in large part, upon the prevailing market prices for power in regional markets and other competitive markets. These market prices have historically been volatile and may continue to fluctuate substantially over relatively short periods of time. As a result, our energy trading activities, including fuel procurement and power marketing, expose us to risks of commodity price movements.

We also purchase most of the gas that we sell under long-term "take-or-pay" contracts that generally contain price indexation clauses based on market prices of petroleum products. Fluctuations in commodity prices may create a mismatch between natural gas and petroleum prices which, if gas prices were to consistently remain below the petroleum prices in our petroleum-indexed contracts, could have a significant impact on our revenues.

Commodity prices and volumes are volatile due to many factors over which we have no control, including shifts in global, regional and local supply and demand, adverse weather conditions, global economic and financial market conditions, prices of oil and gas, which may affect prices under our long-term gas procurement and sales contracts and governmental regulations and actions, among others.

In addition, authorities with jurisdiction over wholesale power rates in the United States, Europe and elsewhere, as well as independent system operators overseeing some of these markets, may impose price limitations, bidding rules and other mechanisms which may adversely impact or otherwise limit trading margins and lead to diminished opportunities for gain.

We cannot predict the impact energy trading may have on our business, results of operations or financial condition.

We are exposed to risks arising from long-term contracts; for the purchase of natural gas, we have entered into long-term commitments under "take-or-pay" contracts that require us to pay for minimum volumes of gas even if they exceed our requirements.

Some of our key business activities operate under long-term contracts. The conditions for performing long-term contracts may be different from those that existed or that were anticipated at the time the contract was entered into, and may change the balance of the contract, particularly the financial balance. Even if contracts contain adjustment mechanisms for certain significant changes in economic, social, technical or regulatory conditions, we cannot guarantee that our co-contracting partners will agree to implement them or that they will be effective in re-establishing the financial balance of the contract. Such changes could have a significant negative effect on our business, results of operations or financial condition.

In particular, the natural gas market in Europe is in large part based on long-term "take-or-pay" contracts. Under these contracts, the seller makes a long-term commitment to serve the buyer in return for a commitment from the buyer to pay for minimum quantities, whether or not it takes delivery. These minimum quantities may only partially vary in response to changes in weather conditions.

To ensure that we will have the gas volumes necessary to supply our customers in the future, we enter into a significant number of "take-or-pay" contracts. If our sales of natural gas were to fall, we could nevertheless be forced to purchase natural gas under these agreements, which we would likely only be able to resell at a substantial discount.

Most long-term purchase contracts are indexed to the oil products price indices. With the emergence of a gas marketplace, spot gas prices have changed independently of fuel prices, creating a lack of correlation between the two. Negotiations in recent years have enabled the market indices to be taken into account in long-term contracts and/or the differential between the contract price and marketplace price to be reduced. They have also led to increased frequency of price revisions. However, a situation in which the gas price on the markets remains lower than fuel-indexed contract prices in the long term could have a significant impact on Group performance if the negotiation process for long-term contracts does not enable satisfactory rebalancing.

We are exposed to changes in consumption patterns and production methods.

Numerous societal, regulatory and technological factors are combining to slow the growth of electricity, gas and water consumption and waste production. In Europe, business volumes are falling in the natural gas sector, associated among other things with improvements to the energy and environmental efficiency of industrial processes and in the building industry (new and existing buildings), the adoption of environmentally friendly attitudes and the image of gas associated with that of a fossil energy source emitting CO_2. Environmental activities reflect similar trends, with a decline in business volumes in the water and waste sectors as consumers adopt environmentally friendly attitudes.

Restrictions imposed in order to reduce CO_2 emissions, renewable energy support schemes and other regulatory and tax schemes increase the complexity of the competitive balance among different forms of energy and the uncertainty over relevant technology choices for the future (including gas, nuclear, coal and renewables). Incorrect forecasting regarding these changes in the energy mix could lead to misguided investment choices and impact our future profitability.

The deregulation of the power and natural gas markets as well as increased competition in development activities and water and waste services may have a negative effect on our results.

The deregulation of certain electricity and natural gas markets, particularly in Europe and the United States, has allowed existing energy companies to enter new markets by diversifying their product offerings and geographical markets. This increased competition has put downward pressure on market prices, may affect bidding for certain gas and power distribution concessions and as a result may adversely affect our sales prices, margins and market share.

In the gas sector, major producers are becoming interested in the downstream value chain and are competing directly with established distribution companies, including those that belong to the Group. Increased competitive pressure could have a significant negative effect on the sales prices, margins and market shares of the Group's companies.

The continued development of unconventional gas, particularly in the United States, is one factor in falling market prices and a marked difference between spot and long-term contract prices. The competitiveness of long-term contracts indexed to oil prices could be affected if this discrepancy persists and if it should prove difficult to invoke price revision clauses.

A limited number of global competitors are currently able to successfully bid in invitations to tender for the development or acquisition of new energy production infrastructures issued by local authorities. Any increase in competition may increase the cost of acquiring or developing certain assets, could lead to excessive production capacity or a decrease in market prices and could harm the positioning of existing assets.

In the environmental sectors, our water treatment, sanitation and waste management services are also subject to competition from local and international operators, resulting in pressure on selling prices to industrial and municipal customers, as well as a risk of non-renewal of major contracts as they expire. There has been a trend towards the consolidation of the waste services providers in Europe, particularly in the United Kingdom, Germany, and the Benelux countries. Additional recent forms of competition have included investment funds, certain public sector operators and attempts by local municipalities to regain control of these services.

Our business and results of operations may be negatively affected by operational disruptions or interruptions.

The operations of our businesses, in particular our power plants, gas networks, LNG terminals, incinerators and water systems are subject to hazards and unforeseen interruptions, including unplanned shutdowns, equipment failure, natural disasters, adverse weather, accidents or other events beyond our control. Such incidents could affect production or transportation volumes, the continued operational performance of its assets and could result in death, injury and extensive property or environmental damage.

Furthermore, the global natural gas market is characterized by a concentration of reserves in a limited number of locations that are often remote from where the gas will ultimately be consumed. There are significant risks involved in the transport and storage of gas, including the unavailability of a part of our infrastructure, such as an LNG terminal or storage facilities, a continuing political crisis between producing and transit countries, the loss of control of industrial tools, a bottleneck effect due to changes in the gas transmission scenarios or natural disasters including earthquakes, volcanic activity and floods. If infrastructure is insufficient or there is a shortage of the necessary transport capacity, we may be unable to produce, transport or take delivery of gas or to honor our transport contracts. Any of these risks could interrupt gas delivery over an extended geographical area and cause a decrease in revenue, a breach of our agreements with government counterparties or trigger indemnification obligations.

We are dependent on a limited number of suppliers for certain of our business activities.

To ensure a steady supply of natural gas, we have entered into long-term contracts with our principal suppliers. However, if supplies from any of these sources were interrupted, the cost of procuring replacement supplies and transporting those supplies from alternative locations could be substantially higher and our margins could be adversely affected.

In addition, our subsidiaries that manage water treatment plants, thermal power stations or waste treatment plans are dependant on a limited number of suppliers for the supply of water, household waste and equipment. Any interruption or delay in supply or any technical failure could negatively affect our operations.

We are dependent on certain customers in electricity sales and water concessions, and we may be affected by unilateral cancellation, non-renewal or modification of contracts with public authorities.

We have entered into long-term water management contracts and power production and purchase agreements with governmental or municipal authorities. Any reluctance, refusal or inability of these public entities to meet their contractual commitments could negatively affect our financial results. Furthermore, in many countries in which we have a presence, particularly in the SUEZ Environnement operating segment, public authorities have the right, under certain circumstances, to unilaterally amend or even terminate the contract subject to compensation by the co-contracting partner. If a contract is unilaterally cancelled or amended by the co-contracting public authority, we may not be able to obtain compensation that fully offsets the resulting loss of earnings. We may have difficulty enforcing all of our rights against these authorities, including compensation for contractual non-performance, in the event of dispute, which could have a negative effect on our business and results of operations.

Moreover, we do not always own the assets that we use in our operations under a delegation of public service contract. We cannot guarantee that the contracting authority will renew each of its existing delegation of public service contracts in our favor, or that the financial conditions of the renewal will be the same as the initial delegation. This situation could negatively impact the Group's business, financial position, earnings and outlook.

We may be unable to obtain key authorizations or renewals.

We must obtain authorizations to conduct certain of our activities, including in concessions or in Seveso sites. Failure to secure such authorizations (or their timely renewal) could prevent us from pursuing some of our current or planned operations. We may face opposition from local residents or associations to the installation and operation of certain facilities (notably operation of nuclear, thermal and renewable power plants, LNG terminals, gas storage facilities, landfill centers, incinerators and waste water treatment plants), claiming that they constitute a nuisance, harm the countryside or have broader environmental impacts. Public reaction makes it harder for us to obtain permits and authorizations to build and operate, and may lead to non-renewal of permits and authorizations or even jeopardize them. We may face litigation brought by defense associations or even smear campaigns aimed at delaying or preventing the performance or development of these activities. The relevant authority could make the conditions attached to the authorizations and permits we obtained more stringent. Furthermore, disputes over the terms or exercise of these authorizations may result in them being temporarily suspended or revoked. Failure in obtaining or renewing permits and authorizations in a timely fashion could have a negative impact on our business operations, financial results and growth prospects.

Growth of our exploration-production businesses exposes us to business-specific risks.

Our exploration-production activities, which we operate independently or together with other operators, involve significant capital investments. Such activities are therefore generally conducted within a consortium intended to reduce each partner's individual risks.

Exploration and production activities expose us to risks including, but not limited to:

- a risk that the exploration activities will not result in the discovery of reserves;
- uncertainties in the appraisal of reserves or production levels, which could impact our results. Appraisals are based on assumptions such as the quality of the geological, technical and economic information, the contractual and tax conditions in the countries in which the exploration-production operations are conducted, and the production capacity of the fields; a revision of those assumptions could result in a downward re-evaluation of the reserves, along with depreciations;
- a risk of delays in drilling, particularly because of difficult weather conditions;
- a dependence on third-party partners (particularly when we are not the operator of the exploration or production site);
- a risk of a major industrial accident, including hydrocarbon leaks, fire, explosions or the loss of control of a well;
- regulatory risks inherent in exploration-production activities (specific obligations for drilling and development, protection of the environment, exceptional cases of nationalization, expropriation, cancellation of contract rights and changes in the regulations governing dismantling or cleanup of the sites);
- risks inherent in the conduct of operations in countries in which the oil sector may be affected by corruption and fraud; and
- tax risks, particularly changes in royalties or custom duties on oil and gas production.

Weather conditions have a significant impact on our results.

Significant changes in the weather, particularly changes in temperature (but also in waterfall conditions and wind), from one year to the next can result in substantial fluctuations in the supply and demand for energy and natural gas. Consequently, our results are significantly affected by changes in weather conditions. Our operating results also reflect the seasonal nature of the demand for gas, which is traditionally highest during the first quarter of the year during the coldest months, and lowest during the third quarter of the year during the warmest months.

We are exposed to risks associated with design and construction activities.

We are involved in the facility design and construction phases of large projects in particular in respect of industrial energy facilities, water treatment engineering, gas and electricity plants and seawater desalination facilities. Construction delays could result in penalties, increased costs and lost revenue. Operational performance may not meet specifications and subsequent accidents may trigger our civil liability, or criminal liability. In the case of fixed-price turnkey contracts, in which GDF SUEZ entities agree to engineer, design and build operation-ready plants for a fixed price, the effective expenses can vary substantially from initial projections for reasons such as unforeseen increases in the cost of raw materials, equipment or labor; unexpected construction conditions; delays due to weather and/or natural catastrophes; and non-performance of suppliers or subcontractors. All of these factors could have a negative impact on our cash flow, reputation, prospects and financial results.

We face commercial risks related to balancing the supply and demand of electricity.

As electricity cannot be stored, we must constantly balance the supply and demand of electricity within a given area with respect to volumes, geographic location, price levels and indexes and maturity. Fluctuations in the demand for electricity are affected by changing weather conditions, seasonality and the time of day, while supply is affected by market prices, production capacity and the availability of alternative sources of energy such as wind and solar power.

If we do not properly anticipate fluctuations in electricity supply and demand or are unsuccessful in achieving an appropriate balance, our expected results could be adversely affected.

European supply difficulties could increase competition in the natural gas market.

We currently obtain a significant portion of our natural gas supply from European countries. In the future, Europe will be increasingly dependent on natural gas from non-European countries because of the progressive decline in production in Europe and the projected increase in the needs of European consumers. Any future difficulty in supply related to the policies of producing countries, or to technical or financial constraints on existing or future infrastructure could negatively affect the competitiveness of our natural gas purchases or strain our European supplies.

We are dependent on certain commodities and hydro energy for electricity generation.

We own and operate electricity generation plants using various fuels including coal, gas, fuel, and nuclear and hydraulic power. The operation of these plants is dependent on the availability of such commodities at any time, while their profitability is dependent on the prices paid for their purchase. As a result, our business and financial condition could be negatively affected by an increase in gas or petroleum products if these increases are not passed on to our customers through the related sales contract or by a lack of rainfall which would impact the reservoir levels necessary for the generation of hydro energy.

Our strategy of expansion through acquisitions exposes us to risks of dilution, asset impairments, and difficulties in integrating target companies.

Our growth strategy, which includes acquisitions, could require us to issue new shares (possibly diluting existing shareholders), to incur additional indebtedness, or to have write-downs of intangible assets. Acquisitions also present risks relating to the difficulties of integrating acquired businesses, the non-realization of expected benefits and synergies, the diversion of management of acquired companies and the potential departure of key employees. When we enter into joint ventures, we could find ourselves in conflicts of interest or strategy with our partners, some of whom might hold a majority of the joint venture entities. Risks relating to the evaluation of assets and liabilities and expected results can arise following the completion of an acquisition.

The combination of GDF Suez Energy International with International Power plc, an independent electricity producer, was completed on February 3, 2011. The achievement of expected synergies and growth opportunities from the combination may not be achieved owing to delays or difficulties in completing the integration of International Power into GDF Suez Energy International. We could incur unexpected integration costs or experience an inability to retain key resources such that actual cost savings and operational benefits may be lower than we currently expect or may take a longer time to achieve.

Risks affecting organic growth transactions and major projects

We base our growth on various major industrial asset construction projects, such as gas and electricity plants, dams, waste treatment or seawater desalination facilities. The profitability of these assets – whose service life is several decades – depends greatly on controlling costs and construction schedules, the operational performance of each of the parties in the project, external phenomena (e.g. natural disasters or strikes), regulatory and fiscal changes and changes in the long-term competitive environment., all of which could reduce the profitability of certain assets or result in reduced revenues and asset impairment.

We are exposed to risks associated with the partnerships we enter into.

We conduct a proportion of our operations within the frame of partnerships with authorities or private operators, local or not. Any change in the projects conducted by a partnership, in the economic situation, in a partner's strategy or even in the local political and economic context may, in certain circumstances, lead to termination of a partnership, notably through the exercise of put or call options on partnership units among the partners, a request by one partner to dissolve the joint venture or the exercise of a preemption right.

In addition, we hold non-controlling equity interests in a number of partnerships or joint ventures where we are not the business operator. Our ability to influence the operations of those partnerships or joint ventures may be limited. We therefore face the risk that the actions or omissions of the operators of those partnerships or joint ventures will expose us to reputational and legal risk, as well as liabilities in proportion to our equity interest.

We are vulnerable to the political and economic environments or circumstances which affect global energy and commodity markets or are specific to certain of the countries in which we conduct operations.

A significant share of gas supplies and exploration-production business comes from countries such as Russia, Algeria, Egypt, Libya and Yemen. A proportion of our operations, including the construction of liquefaction plants and natural gas transmission and distribution operations, are also conducted in developing countries or countries which are in a state of transition, including Thailand, Chile, Brazil and Peru. In addition, our business is affected by price, price spread, and supply conditions for commodities in other countries which play a key role in global energy and commodity markets.

Our operations in these countries, as well as in Europe, are vulnerable to economic and political risks, including an international crisis or an embargo which could interrupt gas supplies or transport, disruptions due to political action, civil insurrection, war or terrorism, corruption, fraud, GDP volatility, economic and governmental instability, flawed application of regulations, nationalization or expropriation of privately held assets, recovery difficulties, social upheaval, extreme volatility in interest and exchange rates, taxes or related withholding levied by governments and local authorities, currency control measures and other disadvantageous actions or restrictions imposed by governments.

Furthermore, we may be unable to enforce our rights before the courts of these countries in the event of disputes against governments or against other public entities. Any of the above measures could have a negative effect on our business and results of operations.

Our operations are subject to significant health, safety and security risks.

Our operations present a number of health, safety and security risks and the inherent potential for major accidents or incidents. These include risks relating to the ownership and operation of gas transmission, distribution and storage systems, exploration-production facilities, LNG tankers, electrical power plants, nuclear reactors, waste incineration plants and water purification facilities, among others. These risks can lead to industrial accidents causing injuries, exposure to toxic products, loss of life, as well as major property damage, activity interruptions and operating losses.

In addition, many of our operations are conducted in harsh and remote working environments and are susceptible to acts of terrorism, radical political movements, armed conflict and organized crime, among others. Besides, a health crisis of major proportions (such as a flu pandemic) could have consequences for the health of employees, subcontractors and suppliers, and could affect the continuity of our operation.

We may incur liability from our ownership and operation of nuclear facilities.

We own and operate nuclear power facilities in Belgium for the production of electric power. Risks of liability arise from the ownership and operation of nuclear facilities, including mechanical or structural problems at a nuclear facility and the storage, handling and disposal of radioactive materials.

In addition, our nuclear activity in Belgium may be affected by safety precautions and technical problems revealed in inspections and audits. In particular, the Doel 3 and Tihange 2 nuclear facilities are currently shutdown pending investigation of potential 'hydrogen-related defects'. These conditions are subject to ongoing examination, which will be shared with Belgian regulators, and any further effects cannot be predicted at the time of this offering memorandum. The reactors of these facilities will not be restarted without formal agreement by the Belgian FNCA (Federal Nuclear Control Agency). Additional analyses are in progress and during these analyses plant operation is halted until an estimated date of December 1, 2012. At this stage, the full consequences of these shutdowns are unknown, but could have a material negative effect on our results of operations.

The international climate, which, after the Fukushima accident, is generally turning against civil nuclear power in some countries (particularly in Europe), affects the rate of development of nuclear projects. The accident has prompted countries operating nuclear plants to issue statements on whether this electricity production solution will be maintained in the longer term. Germany and Switzerland plan to shut down their nuclear plants. Italy has abandoned its plans to roll out nuclear power. The debate is ongoing in France and the US.

These developments may adversely impact the agreements we reached with the Belgian State on October 22, 2009, in a protocol agreement, signed by the Prime Minister and the Energy Minister. This agreement marked a shared commitment to seeing us continue to operate in Belgium in a long-term stable legal framework. In it, the Belgian State undertook not to raise the amount of the nuclear contribution and to extend the operational lifetime of the nuclear plants Doel 1, Doel 2 and Tihange 1 by 10 years (from 40 to 50 years) to 2025 and we agreed to pay certain levels of nuclear contribution levies on an annual basis. Since 2008, the nuclear contribution levied on the nuclear power industry has been equal to about €250 million, of which the largest share has been imposed upon Electrabel (€213 million in 2009, €212.3 million in 2010, and €212.2 million in 2011, each on a pre-tax basis). (In 2011, Electrabel filed an appeal against the levy for the years 2008, 2009 and 2010 with the Brussels Court of first instance. See Note 26.1.16 in our FY 2011 financial statements.)

The Belgian Council of Ministers announced, following its meetings on July 4 and July 20, 2012 that the Doel 1 and Doel 2 reactors will be closed in 2015, while the operating lifetime of Tihange 1 will be extended by ten years until 2025. The Doel 3, Tihange 2 and Tihange 3/Doel 4 reactors will be closed in 2022, 2023 and 2025, respectively. The Council of Ministers also announced certain other decisions, including the offering to the market of the nuclear capacity that would be extended and confirmation of its intent to receive a substantially higher nuclear contribution in total for the nuclear power producers for 2012 and 2013, subject to final approval anticipated in December 2012. Electrabel’s estimated share of the increased contribution amount of €550 million would be equal to €469 million on an annual pre-tax basis (with an estimated net impact of €261 million).

No information was provided that allows us to assess the economic sustainability of the nuclear capacity that would be extended and offered to the market. At this stage, the content and consequences of most of these announcements remain unclear, both in terms of the energy landscape as a whole and the conditions in which the measures announced are to be implemented and applied.

The phasing out of nuclear energy to produce electricity in Belgium would cause our revenues from our electricity generation plants to be negatively affected. In addition to the potential decommissioning of our nuclear activities in Belgium, other political decisions or difficulties encountered in obtaining new permits within and outside of Europe may have a negative effect on our business operations. Further, the implementation of measures aiming at diverting from nuclear power would reduce the share of nuclear power in the energy mix, hence leading to volatility in electricity prices and scarcity of supply, which could have an impact on our earnings.

There may be uncertainty in the enforcement by governmental authorities of applicable legal frameworks for changing regulated, administered or controlled prices.

Certain of our energy and service sales are made in the context of administered prices that are subject to regulation. French laws and rules, European regulation and decisions by regulators (in particular, the French regulator (ERC) for decisions on tariffs for access to certain infrastructure) may affect our sales, profits or profitability, in cases where the natural gas sales tariff only partly reflects procurement, infrastructure and commercial costs, or where regulated gas infrastructure access rates only partially reflect costs incurred.

The public service contract signed on December 23, 2009 in France defines the overall framework for setting and changing gas tariffs and supplements Law 2003-8 of January 3, 2003 and Decree 2009-1603 of December 18, 2009. This mechanism improves transparency with regard to conditions for changes in regulated rates and establishes the rules and responsibilities of the various players over the 2010-2013 period. Any difficulty in implementing the framework could have a materially adverse effect on our revenues.

The government suspended the application of the tariff formula (representing procurement costs) by freezing tariffs for residential premises in July and October 2011. The French regulator, ERC, which submitted a report to the government on possible changes in the elements to be taken into account in a new tariff formula, has confirmed the need for an increase in tariffs. GDF SUEZ decided to submit a request to the Council of State (*Conseil d'Etat*) for annulment of the tariff freeze of September 29, 2011, based on the case law of the Council, which has led to the annulment of several ministerial orders on grounds of insufficient coverage of costs.

Moreover, following an application for a summary judgment by the alternative operators, the Council of State invalidated the freeze on gas tariffs for private users in November 2011 by suspending the ministerial order imposing the freeze. A ministerial order was published in the Official Journal of Friday, December 23, 2011, stipulating that, from January 1, 2012, gas tariffs for households would increase by 4.4%. The social gas tariff was also adjusted by 10%.

On July 10, 2012, the *Conseil d'État* (France's highest administrative court) canceled the decree of September 29, 2011 on regulated natural gas prices issued by the Ministers for Economic Affairs and Energy. In its decision on the merits, the *Conseil d'État* held that the decree was vitiated by an error of law, in that it set the prices at a level lower than that which would have resulted from the application of the pricing formula as defined under current regulations.

According to the *Conseil d'État*, if the Ministers believed that it was necessary to alter the pricing formula due to changes in supply costs, they should have altered the formula before setting any new prices. The *Conseil d'État* instructed the Ministers to issue a new decree, within one month, setting prices for the period from October 1, 2011 to January 1, 2012 in accordance with current regulations.

The freeze of regulated natural gas prices over the last quarter of 2011 resulted in a shortfall amounting approximately to €290 million. The financial consequences of the decision of the *Conseil d'État* and of the new decree will be recognized during the second half of 2012.

In addition, the ministerial decree of July 18, 2012 sets the increase in regulated natural gas prices in France at 2% for the period from July 20, 2012 to December 31, 2012. The government's decision to limit the July increase to 2% is not enough to cover the supply costs of GDF SUEZ, as was pointed out by the French Energy Regulation Commission (CRE) in its July 17 proceedings. In addition, pursuant to the ministerial decree of September 26, 2012, an additional 2% increase was applied to regulated natural gas prices in France effective October 1st, 2012. However, we consider that these price increases will not enable us to cover all our natural gas supply costs and other costs.

Any renewed partial freeze on tariffs in 2012 would represent a significant risk in terms of loss of revenues for the Group.

For reasons beyond our control, governments may take measures that contradict the existing legal framework, which could have a material adverse effect on our revenues.

Risks related to administered tariffs also exist in other countries (notably Belgium, Hungary, Italy, Romania, Slovakia and Mexico) for energy distribution and sale to private or industrial end users.

We and the markets in which we operate are subject to a broad array of legislations and regulations.

Our business activities are conducted in many different countries and are therefore subject to a broad range of legislation, including regulations at the European, national and local level concerning competition, regulated energy rates, infrastructure access rates, licenses, permits and authorizations, among others.

Current regulatory changes and plans at both European and national levels could have an impact on our risk profile. This risk is particularly marked in a general context of pressure on public finances, particularly in Europe.

These include implementation of the European Union third energy package of common rules for the domestic electricity and gas markets and the related technical implementation measures. The third package stipulates the creation of 12 network codes, currently at different stages of progress. The Capacity Allocation Mechanism and the Congestion Management Process, which are currently being drawn up, could have a substantial impact on our activities by 1) favoring the short term at the expense of players willing to commit to long-term subscriptions, 2) threatening the balance in the relationship between the major purchasers and non-European producers, probably benefiting the latter, and 3) disrupting the cycle of trade negotiations with these producers at a key time by imposing new delivery points in line with the target model that has been developed.

In 2011, the European Commission or EC also began an in-depth review of European rules on financial markets and products, proposing a revision of the Capital Requirement Directive, the European Markets Infrastructure Regulation as well as a revision of the Markets in Financial Instruments Directive (MiFID) – 2004/39/EC and the Market Abuse Directive – 2003/6/EC. The proposed measures could affect transaction costs and cause some players to withdraw from the market or reduce their positions, and could ultimately lead to a deterioration of over-the-counter markets.

In addition to the European Commission’s initiatives of potential significance for us, the following should also be noted:

- the Draft Energy Efficiency Directive, published in June 2011, which requires Member States to reduce supplier or distributor energy sales volumes by 1.5% a year from the previous year. The current text requires new and existing electricity generation facilities producing > 20 MW to recover heat through a highly efficient cogeneration system, the deployment of smart meters (for electricity, gas, heating and cooling networks and hot water) from 2013 and monthly billing based on actual consumption of electricity and gas for residential heating;

- in December 2011, the European Commission issued a proposal for a directive relating to the establishment of a European framework for the allocation of concession contracts in Europe. Without prejudging the outcome of the process for adoption of the proposal by the European Council and Parliament, it could have an impact on the Group's concession activities in the hydropower, heating, water and waste management sectors;

- the draft revision of Directive 2003/96/EC, published on April 13, 2011, concerning the taxation of energy products: natural gas, heating fuel, motor fuel and electricity. Mainly involving revision of the existing tax, breaking it down into a tax on energy consumption and a tax on carbon content;

- the roadmap for low-carbon energy by 2050, issued in December 2011, presents low-carbon energy mix scenarios for Europe to achieve the target of reducing EU emissions by 80% by 2050. This document, which is not binding, will nevertheless be a fundamental guiding force in European legislation in the next few years.

- the Proposal for a Regulation on safety of offshore oil and gas prospection, exploration and production activities (Cost/2011/688) introduced on October 27, 2011, which, if adopted, may have an impact with respect to our liability and financial provisions for our offshore activities.

In some Member States and at the European level, public measures have been implemented in the energy sector through regulation and the extension of regulatory powers in the area of competition. This may take the form of price controls, the continued existence of or intent to reintroduce regulated tariffs for both gas and electricity sales at levels incompatible with supply or production costs, "windfall taxes" on energy operators' profits, the ring-fencing of provisions accrued for dismantling nuclear power stations, changes to rules governing market operation and security of supplies, regulator intervention in the deregulated market to encourage increased competition or the intent to restore control of operational services to local authorities.

In addition, due to reciprocity considerations, certain Member States may prohibit us from bidding for gas, utility or water distribution concessions.

In July 2010, the United States enacted comprehensive financial reform legislation known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") that establishes federal oversight and regulation of the U.S. over-the-counter derivatives market and entities that participate in that market. The reforms directed by the Dodd-Frank Act include position limits for certain future and option contracts and economically equivalent instruments, margin requirements for non-cleared swaps, and clearing and trade-execution requirements with respect to certain swaps. The exact application of these provisions, including the extent of potential application to non-U.S. entities, remains uncertain at this time. In addition, as these reforms aim to standardize OTC products, they could limit the effectiveness of our hedging programs because we would have less ability to tailor OTC derivatives to match the precise risk we are seeking to protect. We rely on the OTC derivative markets as part of our program to hedge the price risk associated with our power portfolio. Also, the total burden that the rules could impose on all market participants could cause liquidity in the bilateral OTC swap market to decrease substantially. The new rules could impede our ability to meet our hedge targets in a cost-effective manner.

Any non-compliance with applicable regulations could lead to legal or regulatory sanctions, as well as reputational damage. Compliance with such regulations may impose significant costs on our business and could potentially limit our flexibility with respect to certain business practices. The need to comply with any new or revised regulations, or new or changed interpretations or enforcement of existing regulations, may have a material impact on our business and financial position.

We are subject to various environmental and social laws, regulations and risks which may result in significant liabilities or negatively affect our financial condition.

Our operations are subject to various complex foreign, federal, national, state, provincial and local environmental laws and regulations governing, among other things air quality, renewable energy, greenhouse gas emissions, waste water treatment, drinking water quality, hazardous and non-hazardous waste treatment, soil contamination, management of nuclear facilities, gas transmission networks, storage facilities, LNG terminals, and CO2 storage facilities. Among other things, these laws and regulations require us to obtain permits for certain of our operations, which can be time-consuming and costly. Further, we may face litigation or other opposition from local residents, organizations or other third parties to our construction, permitting or operation of our facilities based on perceived environmental impacts. Such litigation and opposition can adversely affect our ability to obtain required permits and/or lead to the non-renewal of our environmental permits. If we cannot obtain required permits in a timely-fashion or at all, this could have a negative impact on our results of operations or financial position. In addition, facilities that we own or manage on behalf of third parties are subject to regular governmental audit. We cannot assure you that we have been or will be at all times in complete compliance with all environmental laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. We incur, and expect in the future to incur, capital expenditures and other costs to comply with environmental laws, regulations and permits. There can be no assurances these costs will not increase materially. Failure to observe or comply with laws, regulations and permits may result in penalties or fines that would have a negative effect on our financial condition.

Certain environmental laws assess liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances at such properties or at properties to which these persons have sent waste. Environmental laws often impose liability even if these persons did not know of, or were not responsible for, the release of hazardous substances. Even where past activities complied with regulations in force when they were in operation, the conditions created by such past activities may nonetheless be a source of pollution in the future, and/or may be subject to retroactive regulation. We have incurred, and expect to incur, costs to address contamination with respect to our current and former properties, as well as with respect to third-party sites to which we have sent waste. The actual cost to address these and any future environmental matters may exceed our budgeted amounts and are subject to various factors, including the potential discovery of new facts or other conditions, changes in technology and changes in law or the enforcement thereof. In addition, we could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage. While the company has some insurance for certain environmental risks, we cannot assure you that any insurance will be available to cover any and all our environmental liabilities. In addition, while we have accrued amounts for probable and estimable environmental liabilities, our actual liabilities may exceed our accruals.

Our operations entail risks of environmental damage as a result of our handling of hazardous products (such as fissile materials, liquefied natural gas and other fuels and certain water treatment chemicals), treating hazardous or medical waste that may be toxic or infectious, or the emission of gaseous substances and atmospheric pollutants. These risks could cause economic losses arising from, among other things, fines and legal action or clean up and re-building costs. In addition, the nature of our operations involved industrial risks that could result in personal injury and property damage claims from third parties, including employees, neighbors, regulators, subcontractors and our customers, which claims could result in significant costs or other environmental liability.

We are subject to various laws regulating the emission of greenhouse gases including without limitation directives, laws and regulations that require us to measure, report and reduce such emissions, purchase allowances or pay taxes to emit greenhouse gases, increase our energy efficiency and ensure a certain amount of our power comes from renewable energy sources. In certain cases, compliance with these laws could have an adverse impact on our business and results of operations. These laws and regulations could have a significant impact on our results of operations or financial condition. In addition, the physical impacts of climate change, including changes in weather patterns could cause substantial fluctuations in the demand for our products and services which would have an adverse effect on our results of operations and financial condition.

In France, the adoption of the “Grenelle 2” laws introduced measures, such as rules relating to establishing new sites for installations, procedures for authorizing renewable energy projects, water law, that have placed constraints on some of our activities, in a context of decreasing financial support, such as feed-in tariffs and tax credits. At the same time, energy companies are subject to stricter obligations relating to Energy Savings Certificates (CEE) and are under pressure from the government to participate substantially in financing social support measures, such as to alleviate energy poverty.

In Belgium, producers of electricity receive “green certificates” as support for green production creating demand through an adaptive quota system (increasing each year) which varies by region in order to reach the 20/20/20 climate energy objectives. As a result, certificate quotas are applied to electricity supply and result in a green obligation for suppliers, with penalties applying in case the supplier submits insufficient certificates. Under recent legislation changes in Flanders, the applicable “green certificate” quota is significantly increased in 2012 and from 2016. Furthermore, a banding coefficient was introduced, impacting the overall demand of certificates and important changes in reduction rules were adopted.

In the United States, greenhouse gas reduction policy (including CO2) is currently limited to regional initiatives, such as the Regional Greenhouse Gas Initiative, in which the Group’s facilities are taking part. The Environmental Protection Agency (EPA) has tightened pollutant emissions rules, issuing the Cross-State Air Pollution Rule (CSAPR) on July 6, 2011, which could require a steep reduction in SO2 and NOx emissions from 2014, and, in December 2011, has specified mercury and air toxics standards for power plants applicable as from 2016.

In Australia, the Carbon Pollution Reduction Scheme is progressively introducing from July 2012 (or 2013, depending on the parliamentary agenda) a CO2 recovery mechanism that could eventually lead to the closure of certain sites.

Changes in regulations or the imposition of additional regulations, including additional environmental or greenhouse gas regulation, could have an adverse impact on our business and results of operations. In addition, evolving laws and regulations make it difficult to assess risks related to past activities, particularly in the case of closed landfills. Further, it is difficult to quantify and assess whether any responsibility would include liability for damage to wildlife habitats or plant species because in any given case, whether or not such damage occurs could be the subject of debate even within the scientific community. Accordingly, there can be no assurance that costs to address current and future environmental matters will not adversely affect our reputation, business, results of operations and financial condition.

Environmental actions, such as initiatives to address climate change, may negatively affect our operations.

Policies and initiatives at national, European and international levels to address climate change, such as worldwide measures to reduce greenhouse gas emissions, are likely to affect business conditions and demand for various types of energy. New regulatory regimes, incentives, subsidies, taxes and emissions trading schemes could create competitive distortions in the electricity sector which could in turn adversely affect our operations.

We may not be able to attract or retain sufficient skilled employees.

Our performance, operating results and future growth depend to a large extent on our continued ability to attract, retain, motivate and organize appropriately qualified personnel with the level of expertise and knowledge necessary to conduct our complex operations. Competition for talented and qualified employees is intense. If we are unable to attract and retain sufficient highly qualified management and employees with the right capabilities and experience, we may not be able to sustain or further develop our business, which would have a material adverse effect on our financial performance.

Information technology systems failures could adversely affect our operations.

Our information technology ("IT") is critically important in supporting all of our business activities. Failures in our IT system could result from technical malfunctions, human error or software for which we have acquired operating licenses and over which we have no control. Any failure or malfunctioning of our IT systems could result in breaches of confidentiality, delays or loss of data and have a material adverse effect on our business operations and reputation.

The introduction of new technologies, such as Cloud Computing and Bring Your Own Device, and the development of new uses, such as social networking, exposes the Group to new threats. The cyber attacks and hacking attempts to which companies may fall victim are increasingly targeted and carried out by true specialists.

Moreover, risks relating to industrial information systems are increasing as a result of the migration of industrial IT environments, in particular Supervisory Control and Data Acquisition systems (SCADA), towards environments such as Windows. The Stuxnet virus has also highlighted the importance of security in industrial information systems, which are often of critical importance to our operations, in particular for the operation of nuclear power plants.

Our operations may be adversely affected by the actions of local communities.

The installation and operation of certain equipment, including nuclear, thermal and renewable energy power stations, LPG terminals, gas storage facilities, waste treatment centers, incinerators and waste water treatment plants, may face opposition from local communities that perceive our presence to be negative from an environmental, social or economic perspective.

This opposition can manifest itself in the form of direct action against our local operations or by increased political pressure, which can delay projects, increase costs, cause damage to our reputation and make it more difficult for us to obtain or renew construction and operating permits.

Our insurance coverage is subject to certain limits.

Although we maintain insurance policies for property damage and civil, marine and nuclear liability, some of the major risks involved in our activities cannot, or may not, be reasonably or economically insured. The transfer of risks to the insurance market may be affected and influenced by constraints on the availability of cover, market appetite and capacity and pricing. Accordingly, we may incur significant losses from various types of accidents that are not covered by insurance. Our insurance program is subject to certain limits, deductibles, terms and conditions. Significant losses may exceed the coverage provided by our insurance programs. In addition, insurance premium costs are also subject to changes based on the overall loss experience of the insurance market. Significant claims could lead to a significant increase in insurance premiums.

Labor disputes could have an impact on our business.

We engage regularly in labor dialogues with the various works councils and trade unions representing employees in the areas of collective bargaining, employment mobility, pension savings schemes and other human resources policies. Any labor unrest within our workforce, primarily in the form of strikes, could disrupt our business activities and negatively affect our operating results.

Unethical conduct and non-compliance with applicable laws may have a significant adverse effect on our business.

Incidents of unethical behavior, fraudulent activity, corruption or non-compliance with applicable laws and regulations could be damaging to our operations and reputation and may subject us to criminal and civil penalties or loss of operating licenses.

A downgrade in one of our sustainable development ratings could adversely affect investor and customer confidence as well as our market share.

Our reputation is based in part on our socially responsible corporate image. We are currently rated by several global and European sustainable development performance indices. Difficulties arising in the implementation of our sustainable development policy could, over time, lead to a discrepancy between our policy and the expectations of stakeholders. This discrepancy could affect our sustainable development and corporate responsibility ratings and negatively affect our image, which could result in a lower level of investor and customer confidence and a loss of market share.

We are subject to legal and tax risks which may have a negative effect on our results of operations and financial condition.

We face legal risks in the conduct of all our activities in the markets in which we conduct business around the world, including risks related to partnerships into which we or our subsidiaries have entered and risks related to contracts executed with customers and suppliers. We are also party to several disputes and arbitrations and are also subject to investigation and procedures under competition law. These legal risks could result in liabilities which could negatively affect our financial results.

We are subject to various tax regulations in the operation of our businesses. We are also involved in certain tax-related proceedings. Any change in tax regulations or case law relating to the application thereof may have an impact on our earnings.

We are subject to risks on retirement commitments.

We have commitments on pensions and other post-employment and other long-term benefits for our employees. We make certain assumptions in calculating the amount of our commitments, and any adjustment in such assumptions could increase our commitments, our corresponding provisions and, in certain cases, contribution payments. Changes in national laws may result in the emergence of new mandatory adjustments, which could have an unfavorable impact on our balance sheet and financial earnings.

Our valuation of commitments is also based on a discount rate related to market interest rates, a decline in which could cause a substantial increase in the discounted value of the commitments, which may not be offset by an equivalent increase in asset coverage.

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, our access to capital and the cost of capital.

The capital and credit markets have been experiencing extreme volatility and disruption since the global and financial crisis which began in 2008. In recent months, the European capital markets have experienced extreme volatility and disruption due to the sovereign debt crisis. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for issuers.

We need liquidity to pay our operating expenses, meet our contractual obligations, pay the interest on our debt and satisfy margin calls in commodities market activities. Without sufficient liquidity, we would be forced to curtail our operations, and our business would suffer. At June 30, 2012, we maintained confirmed credit facilities of €20,050 million, and debt raised on the capital markets, bank loans and short-term paper (treasury notes and commercial paper) accounted for 55%, 35%, and 10%, respectively, of outstanding borrowings and debt. In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing, and the cost of such financing, will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, our credit ratings and credit capacity.

Continued disruptions, uncertainty or volatility in the European and international capital and credit markets may also limit our access to capital required to operate our business. Such market conditions may limit our ability to access the capital necessary to grow our business. As such, we may be forced to delay raising capital or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. Our results of operations, financial condition and cash flows could be materially adversely affected by such disruptions in the financial markets.

The ongoing global economic crisis, particularly in Europe, could adversely affect our business and financial performance.

Recent developments in the Eurozone have exacerbated the ongoing global economic crisis. Financial markets and the supply of credit are therefore likely to continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain), the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union (the “Eurozone debt crisis”). Governments and regulators have implemented austerity programs and other remedial measures to respond to the Eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict.

If the Eurozone debt crisis is not resolved, there is a possibility that one or more countries may default on their debt obligations and/or leave the European Monetary Union and re-establish their own national currency or that the European Monetary Union may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation with potentially significant adverse effects on our business, results of operations and/or financial condition, particularly as we have a substantial part of our operations in Europe and reports our consolidated financial statements in euros. In addition, the departure of one or more countries from the European Monetary Union may lead to the imposition of, inter alia, exchange control laws. It is not known for how long these risks will continue nor whether they will worsen. It is difficult to predict whether and to what extent our business, results of operations and/or financial condition will be adversely affected.

We are exposed to credit risk, which may be heightened by the current global economic crisis.

Our exposure to credit risk takes the form of a loss that would be recognized if counterparties failed, or were unable, to meet their contractual obligations. These risks include the risk of non-payment for services or deliveries made, the risk of non-delivery of services or supplies paid for, and the risk associated with the costs of replacing a defaulted contract if such replacement can only be obtained on less favorable terms.

As a result of the current global economic crisis, increases in energy costs and other macro-economic challenges currently affecting the economy, customers or vendors may experience serious cash flow problems and as a result, may be unable to pay, or may delay payment of, accounts receivable that are owed to us. The impact of credit issues could also lead to the failure of companies in the sector, potentially including partners, contractors and suppliers who would be unable to meet their performance or financial obligations toward us.

We are also exposed to the risk that counterparties to our energy trading and derivatives contracts will breach their obligations. In such cases, we may be forced to enter into alternative hedging arrangements or honor underlying commitments at the then-current market prices, which may exceed contractual prices and adversely affect results of operations and/or result in losses.

Any inability of current and/or potential customers to pay us for products or services, or of suppliers, contractors or partners to provide products or services may adversely affect earnings and cash flow. Any failure to adequately predict or determine our credit exposure could lead to financial loss.

Operations of certain of our businesses and their financial condition may be particularly sensitive to economic slowdowns.

Certain of our businesses, particularly those relating to services or energy supply to industrial customers, are more sensitive to economic cycles. Any slowdown in the economy, particularly in developed countries, creates a negative impact on energy demand and industrial investments and maintenance expenses, thus reducing demand for the energy and/or the installation and engineering services we offer, and may cause customers to modify, delay or cancel plans to purchase our products or services. This fluctuating demand results in substantial variations in the activity levels of these businesses which cannot systematically offset the impact of the decline in their revenues in certain periods.

Accordingly, a prolonged slowdown of operations among the Group's major customers could contribute to reduced demand for energy, water and waste and related services, affecting the Group's business volumes and margins.

In Europe, these businesses providing services to industrial customers may be temporarily sensitive to the off-shoring of operations to low-cost countries. Specifically, in the energy business, large electricity-intensive customers (such as customers in the metallurgy and chemicals sectors) may move their production to regions where energy costs are lower than in Western Europe.

If economic conditions deteriorate further or do not show improvement, we may experience material adverse impacts to our business and operating results.

Exchange rate fluctuations could have a significant impact on our operating results.

Due to the geographical scope of our operations, we are subject to risks related to fluctuations in foreign exchange rates. This includes transaction risk related to our business operations and translation risk related to the consolidation in Euros of subsidiary accounts where the accounting currency is not the Euro. Our translation risk is particularly sensitive to fluctuations in the U.S. Dollar, Brazilian Real, Polish Zloty, Norwegian Kroner, British Pound and Australian Dollar.

Fluctuations in exchange rates between the U.S. dollar and the Euro may have a particularly significant impact on our results of operations as the majority of our sales of liquid hydrocarbons and natural gas are either denominated in U.S. dollars or are indexed to the prices of petroleum products in U.S. dollars. We also purchase most of the gas that we sell under take-or-pay contracts that have price indexation clauses based on market prices of petroleum products in U.S. dollars.

At June 30, 2012, a uniform decrease of 10% in foreign currencies against the Euro would result in a loss of €17 million. Fluctuations could therefore have a negative impact on our financial and operating results.

Our financial condition may be negatively affected by changes in interest rates.

As of June 30, 2012, 42% of our gross debt and 13% of our net debt was under a variable rate and 58% of gross debt and 87% of net debt was under a fixed rate, after taking into account derivative instruments used to hedge underlying exposures to change in interest rates.

A uniform 1% increase in short-term interest rates on our net variable rate debt and on the variable rate portions of our derivative instruments would increase our net interest expense by €46 million. An increase in variable interest rates in the future would therefore significantly increase the cost of our variable-rate debt. A 1% increase in interest rates (uniform across all currencies) would generate an unrealized gain of €194 million in the income statement attributable to the change in the fair value of undocumented derivatives or derivatives designated as net investment hedges. Conversely, a 1% drop in interest rates would generate an unrealized loss of €269 million.

A rise of approximately 1% in interest rates (uniform across all currencies) would generate, in terms of shareholders' equity, a gain of €366 million associated with the change in the fair value of documented cash flow hedging derivatives and net investment hedges recognized in the balance sheet. However, a fall of 1% in interest rates would generate a loss of €449 million.

We are subject to financial market risks related to stakes in publicly traded companies which could have a material adverse effect on our financial condition.

We hold a number of stakes in publicly traded companies. The market value of these holdings can fluctuate due to a variety of factors, including stock market trends, change in the valuation of the sectors in which these companies operate and the economic and financial condition of each individual company, among others. As of June 30, 2012, a decline of 10% in the stock market value of these holdings would have a negative impact of approximately €128 million in our overall income. A decline in the value of the companies in which we own a stake could therefore have a negative effect on our results of operations and financial condition.

Risks Relating to the Notes

The notes are unsecured obligations.

The notes will be our unsecured and unsubordinated indebtedness and will rank *pari passu* with all of our existing and future unsecured and unsubordinated obligations. As a result, in any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of our secured debt may assert rights against the secured assets in order to receive full payment of their debt before the assets may be used to pay the holders of the notes. For more information on the ranking of the notes, see "Description of the Notes — Covenants — Negative Pledge."

The Fiscal Agency Agreement does not restrict the amount of additional debt that we may incur, which may make it difficult to satisfy our obligations under the notes or reduce the value of the notes.

The notes and the Fiscal Agency Agreement under which the notes will be issued do not place any limitation on the amount of unsecured debt that we may incur. Our incurrence of additional debt may have important consequences for you as a holder of the notes, including making it more difficult for us to satisfy our obligations with respect to the notes, a loss in the trading value of your notes, if any, and a risk that the credit rating of the notes is lowered or withdrawn.

The notes are structurally subordinated to any liabilities of our subsidiaries.

We conduct substantially all of our operations through our subsidiaries, and none of our subsidiaries have any obligations with respect to the notes. The notes will be effectively subordinated to creditors (including trade creditors) and preferred shareholders (if any) of our subsidiaries. As at June 30, 2012, the total liabilities of our subsidiaries were approximately €113.5 billion, excluding liabilities owed exclusively to us or to our subsidiaries, but including trade payables.[1] Moreover, the Fiscal Agency Agreement does not impose any limitation on the incurrence of additional indebtedness by us or our subsidiaries.

We depend upon our subsidiaries for cash to meet our obligations, including our obligations under the notes.

We are structured as a holding company that operates a number of direct and indirect subsidiaries. Accordingly, we rely upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, interest payments or otherwise to pay our debt, operating, financing and investing obligations, including our obligations under the notes. The ability of our subsidiaries to pay dividends is subject to statutory requirements and contractual restrictions and, in some cases, restrictions imposed on the repatriation of capital. Our ability to meet our obligations, including our obligations under the notes, will be negatively affected if we do not receive dividends or other payments from our subsidiaries.

We are not restricted in our ability to dispose of our assets by the terms of the notes.

The Fiscal Agency Agreement governing our notes contains a negative pledge that prohibits us from pledging assets to secure other bonds or similar debt instruments, unless we make a similar pledge to secure the notes. However, we are permitted to pledge our assets with respect to debt other than bonds and similar debt instruments. If we decide to dispose of a large amount of our assets, you will not be entitled to declare an acceleration of the maturity of the notes, and those assets will no longer be available to support our debt securities. See “Description of the Notes — Covenant – Negative Pledge.”

The provisions in the notes will not protect you in the event of a change of control transaction.

The provisions contained in the notes and the Fiscal Agency Agreement will not afford you protection in the event of a change of control transaction that may adversely affect you, including a reorganization, restructuring, merger or other similar transaction involving us. The Fiscal Agency Agreement does not contain provisions that permit the holders of the notes to require us to repurchase the notes in the event of a takeover, recapitalization or similar transaction.

The ability of holders to transfer the notes will be limited.

The notes issued in this offering have not been registered under the Securities Act or any U.S. state securities laws and may not be offered or sold in the U.S. except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws or pursuant to an effective registration statement. We are not obligated, and do not intend, to file a registration statement with respect to the notes.

There may not be a liquid trading market for the notes.

The notes are new securities with no established trading market. The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so. The initial purchasers may discontinue any market making in the notes at any time, at their sole discretion. If an active market for the notes does not develop, the price of the notes and the ability of a holder of notes to find a ready buyer will be adversely affected. As a result, we cannot assure you as to the liquidity of any trading market for the notes.

An increase in market interest rates could result in a decrease in the value of the notes.

If market interest rates increase above the current levels, the notes will generally decline in value because debt instruments of the same face value priced at market interest rates will yield higher income. Consequently, if you purchase notes and market interest rates increase above the current interest rates, the market value of your notes may decline. We cannot give any assurance regarding the future level of market interest rates.

[1] Computed on the basis of the Group’s total liabilities minus GDF SUEZ S.A. liabilities.

Our credit ratings may not reflect all risks of an investment in the securities.

The credit ratings ascribed to us and the notes are intended to reflect our ability to meet our payment obligations in respect of the notes, and may not reflect the potential impact of all risks related to structure and other factors on the value of the notes. In addition, actual or anticipated changes in our credit ratings may generally be expected to affect the market value of the securities.

The notes are subject to optional redemption by us.

The notes may be redeemed at our option. The optional redemption feature may affect the market value of the notes. The market value of the notes generally is unlikely to rise substantially above the price at which they can be redeemed. An issuer is generally likely to, and we may therefore elect to, redeem the notes when its cost of borrowing is lower than the interest rate on the notes. Potential investors should consider reinvestment risk.

There are exchange rate risks and exchange controls associated with the notes.

We will pay principal and interest on the notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar, or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the notes, (2) the Investor's Currency-equivalent value of the principal payable on the notes and (3) the Investor's Currency-equivalent market value of the notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the notes are legal investments for it, (2) the notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the notes under any applicable risk-based capital or similar rules.

You may not be able to effect claims or enforce judgments against us or our directors or officers for violations of the U.S. securities laws.

We are *a société anonyme*, a limited liability corporation, organized under the laws of France. A majority of our directors and officers are non-U.S. residents. A substantial portion of our assets and the assets of our directors and officers are, and we expect will continue to be, located outside the United States. Consequently, you may not be able to effect service of process within the United States upon us or most of these persons, enforce judgments against us or them in the U.S. courts or enforce or obtain judgments in French courts against us or these persons predicated upon the securities laws of the United States.

USE OF PROCEEDS

The net proceeds from the sale of the notes will amount to approximately U.S. $1,480,132,500 (after deducting the initial purchasers' fees and commissions), which we intend to use for the partial repayment of amounts drawn under the €6 billion dedicated syndicated credit facility we entered into on May 4, 2012, in connection with the acquisition of the non-controlling interests in International Power plc and otherwise for general corporate purposes.

CAPITALIZATION

The following table shows the capitalization of GDF SUEZ as at June 30, 2012 and the indebtedness of GDF SUEZ (i) as at June 30, 2012, (ii) as adjusted for the impact of certain interim issuances (unaudited) and other major transactions carried out after June 30, 2012 as detailed in the footnotes (1) below (the "Interim Issuances"), and (iii) as adjusted for the impact of this offering (unaudited), including the use of the estimated net proceeds of the offering of the notes for the partial repayment of amounts drawn under the €6 billion dedicated syndicated credit facility we entered into on May 4, 2012, in connection with the acquisition of the non-controlling interests in International Power plc.

This table should be read in conjunction with "Use of Proceeds", our consolidated financial information and the related notes thereto, and "Operating and Financial Review and Prospectus of GDF Suez" included elsewhere in this offering memorandum. The historical unaudited consolidated data was derived from the unaudited interim condensed consolidated financial statements of GDF SUEZ as of and for the six-month period ended June 30, 2012, prepared in accordance with IAS 34 ("*Interim Financial Reporting*").

			As of June 30, 2012 (unaudited)	**As adjusted for the Interim Issuances (unaudited)**	**As adjusted for this offering (unaudited)**
				(in millions of euros)	
Capitalization					
A	Share capital[1]		2,322	2,322	2,322
B	Total shareholder's equity (Group share) [1]		62,217	62,217	62,217
C	Non-controlling interests[1]		11,440	11,440	11,440
Total shareholder's equity (B+C) [1]			**73,657**	**73,657**	**73,657**
Indebtedness					
1	Indebtedness				
	A	Borrowings and debt in respect of International Power's non-controlling interests(*)	7,974	99	99
	B	Other current financial debt[3]	13,150	13,015	12,407
	C	Other non-current financial debt (excluding current portion of long-term debt)[3]	43,889	45,624	46,775
	D	Debt derivatives qualifying as hedges and cash collateral – under liabilities	1,155	1,155	1,155
Total gross debt (A+B+C+D)			**66,168**	**59,894**	**60,437**
2	**Net financial indebtedness**				
	A	Cash	4,914	4,914	4,914
	B	Cash equivalents[2][3]	13,405	6,378	6,921
	C	Financial assets at fair value through income	532	532	532
	D	Financial assets related to debt instruments	307	307	307
E	**Liquidity (A+B+C+D)**		**19,157**	**12,130**	**12,673**
	F	Current portion of borrowings and debt in respect of International Power's non-controlling interests(*)	7,875	–	–
	G	Current bank debt[2][3]	1,704	2,704	2,096
	H	Current portion of long-term debt[2]	4,980	3,845	3,845
	I	Current other financial debt	6,466	6,466	6,466
J	**Current financial debt (F+G+H+I)**		**21,025**	**13,015**	**12,407**
K	**Net current financial debt (J-E)**		**1,868**	**885**	**(266)**
	L	Non-current portion of borrowings and debt in respect of	99	99	99

		As of June 30, 2012 (unaudited)	As adjusted for the Interim Issuances (unaudited)	As adjusted for this offering (unaudited)
		(in millions of euros)		
	International Power's non-controlling interests(*)............			
M	Non-current bank debt	13,369	13,369	13,369
N	Bonds issued(2)(3)	27,453	29,188	30,339
O	Non-current other financial debt	1,858	1,858	1,858
P	Non-current portion of financial leases	1,209	1,209	1,209
Q	**Non-current financial debt (L+M+N+O)**	**43,988**	**45,723**	**46,874**
R	**Net financial debt excluding impact of debt derivatives qualifying as hedges (Q+K)**..	**45,856**	**46,608**	**46,608**
S	Debt derivatives qualifying as hedges and cash collateral	(708)	(708)	(708)
T	**Net financial debt including impact of debt derivatives qualifying as hedges (R+S)**..	**45,148**	**45,900**	**45,900**

(*) See Note 2.1 to HY 2012 financial statements at page F-11 of this offering memorandum.

(1) The Section "Capitalization" has not been updated to reflect certain transactions carried out after June 30, 2012, including the purchase of International Power plc shares following the conversion of the International Power plc convertible bonds (as described in note (2) below). The Company believes these transactions did not have a material impact.

(2) Indebtedness as adjusted for the Interim Issuances (unaudited) include the following changes compared to indebtedness as of June 30, 2012:

- With respect to the financing of the acquisition of non-controlling interests in International Power, the Group:
  - On July 10, 2012, carried out a €1,500 million bond issue in two tranches of €750 million each:
    - 1.5% notes due July 2017;
    - 2.625% notes due July 2022.

    The Group also carried out in July 2012 a drawdown of €1,000 million on the €6,000 million syndicated credit facility dated in May 4, 2012 put in place as part of the purchase of non-controlling interests in International Power.

    This bond issue reduces the syndicated credit facility by the same amount, bringing the confirmed available amount of this credit line, together with the amount of the drawdown, to €1.5 billion.
  - On July 12, 2012, we made a cash payment relating to the purchase of International Power plc's 1,542 million ordinary shares which were not yet held by the Group, and which extinguishes the current portion of the financial liability "Borrowings and debt in respect of International Power plc's non-controlling interests" with respect to International Power plc's non-controlling interests that was recognized in the statements of financial position at June 30, 2012 for an amount of €7,875 million.
- With respect to the purchase of International Power plc shares created following the conversion of a portion of bonds convertible into Internal Power plc shares, the Group purchased 346 million International Power plc shares resulting from the conversions carried out between July 1st and August 28, 2012, by the holders of bonds convertible into International Power plc shares:
  - 118 million of shares resulting from the conversions carried out between July 1st and July 10, 2012, were purchased on July 12, 2012;
  - 128 million of shares resulting from the conversions carried out between July 11 and August 28, 2012, were purchased on September 11, 2012.

  On August 21, 2012, the Group triggered its issuer call on the residual convertible bonds. This led to a cash payment of €25 million by the Group on September 27, 2012.

  The total amount paid came to €1,853 million. These transactions led to a €718 million rise in net debt, in light of the derecognition of borrowings and debt corresponding to the bonds converted into shares (€1,135 million).
- In July 2012, the Group carried out two private placements in the form of bonds issued under its EMTN program:
  - €400 million in 2.5% notes due January 2020;
  - JPY 10 billion (€100 million, translated from JPY into euros at €1.00 = JPY 98.87) in 1.26% notes due July 2022.

- On September 12, 2012, the Group launched a tender offer for the repurchase of the International Power (2010) Finance plc €250 million 7.25% bond maturing in 2017. On October 1, 2012, the Group has repurchased 95.78% of the principal amount for a tender consideration paid of €299 million. These transactions led to a €34 million increase in net debt, in light of the derecognition of bonds issued (€265 million).
- The adjustments for the Interim Issuances do not reflect the CHF450 million (€370 million, translated from CHF into euros at €1.00 = CHF 1.2162) bond offering, priced on September 14, 2012 and expected to be completed on October 9, 2012. See "Summary – Significant Events Since June 30, 2012 – Swiss Franc bond issuance."

(3) The proceeds of the offering have been translated from U.S. dollars into euros at €1.00 = $1.2856, the September 28, 2012 Noon Buying Rate.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present our selected consolidated financial and operating information as of and for the years ended December 31, 2011, 2010 and 2009, in accordance with IFRS as adopted by the European Union, and as of and for the six-month period ended June 30, 2012 and 2011 in accordance with IAS 34 *"Interim Financial Reporting*". This information should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements, Unaudited Condensed Interim Financial Statements and the section entitled "Operating and Financial Review and Prospectus GDF Suez" appearing elsewhere in this offering memorandum.

Statements of Financial Position

Assets

	HY 2012	HY 2011	FY 2011	FY 2010(1)	January 1, 2010(1)	FY 2009
			(in millions of €)			
Non-Current Assets						
Intangible assets, net	13,392	12,810	13,226	12,780	11,420	11,420
Goodwill	30,710	30,278	31,362	27,933	28,355	27,989
Property, plant and equipment, net	89,952	88,866	90,120	78,703	69,665	69,665
Available-for-sale securities	3,288	3,813	3,299	3,252	3,563	3,563
Loans and receivables at amortized cost	3,839	4,519	3,813	2,794	2,426	2,426
Derivative instruments	3,053	2,490	2,911	2,532	1,927	1,927
Investments in associates	2,953	2,552	2,619	1,980	2,176	2,176
Other non-current assets	1,173	1,411	1,173	1,440	1,696	1,696
Deferred tax assets	1,368	1,557	1,379	1,909	1,659	1,419
TOTAL NON-CURRENT ASSETS	**149,728**	**148,297**	**149,902**	**133,323**	**122,886**	**122,280**
Current Assets						
Loans and receivables at amortized cost	1,406	1,017	1,311	1,032	947	947
Derivative instruments	5,571	7,672	5,312	5,739	7,405	7,405
Trade and other receivables, net	23,912	25,483	23,135	20,501	18,915	19,748
Inventories	5,114	5,108	5,435	3,870	3,947	3,947
Other current assets	8,377	7,684	9,455	6,957	5,094	5,094
Financial assets at fair value through income	1,004	1,524	2,885	1,713	1,680	1,680
Cash and cash equivalents	18,318	10,372	14,675	11,296	10,324	10,324
Assets held for sale	660		1,298	0	0	n/a
TOTAL CURRENT ASSETS	**64,362**	**58,860**	**63,508**	**51,108**	**48,312**	**49,145**
TOTAL ASSETS	**214,090**	**207,156**	**213,410**	**184,430**	**171,198**	**171,425**

(1) Comparative amounts at January 1, 2010 and for the year ended December 31, 2010 have been restated as a result of an error discovered in the computation of the "gas in the meter" receivable accounted for in the Energy – France segment described in Note 1.2 to our FY 2011 financial statements.

Liabilities

	HY 2012	HY 2011	FY 2011	FY 2010(1)	January 1, 2010(1)	FY 2009
			(in millions of €)			
Shareholders' equity	62,217	63,211	62,930	62,114	60,194	60,285
Non-controlling interests	11,440	15,578	17,340	8,513	5,241	5,241
TOTAL EQUITY	**73,657**	**78,789**	**80,270**	**70,627**	**65,436**	**65,527**

	HY 2012	HY 2011	FY 2011	FY 2010(1)	January 1, 2010(1)	FY 2009
			(in millions of €)			
Non-Current Liabilities						
Provisions	14,723	13,308	14,431	12,989	12,790	12,790
Long-term borrowings	43,988	41,687	43,375	38,179	32,155	32,155
Derivative instruments	3,781	2,651	3,310	2,104	1,792	1,792
Other financial liabilities	343	778	684	780	911	911
Other non-current liabilities	2,120	2,394	2,202	2,342	2,489	2,489
Deferred tax liabilities	12,492	13,793	13,038	12,437	11,856	11,856
TOTAL NON-CURRENT LIABILITIES	**77,447**	**74,612**	**77,040**	**68,830**	**61,993**	**61,993**
Current Liabilities						
Provisions	1,786	1,548	1,751	1,480	1,263	1,263
Short-term borrowings	21,826	10,960	13,213	9,059	10,117	10,117
Derivative instruments	5,160	7,742	5,185	5,738	7,170	7,170
Trade and other payables	17,656	18,708	18,387	14,835	12,887	12,887
Other current liabilities	16,155	14,799	16,738	13,861	12,332	12,469
Liabilities directly related to assets held for sale	403		827	0	0	
TOTAL CURRENT LIABILITIES	**62,986**	**53,755**	**56,100**	**44,973**	**43,769**	**43,905**
TOTAL EQUITY AND LIABILITIES	**214,090**	**207,156**	**213,410**	**184,430**	**171,198**	**171,425**

(1) Comparative amounts at January 1, 2010 and for the year ended December 31, 2010 have been restated as a result of an error discovered in the computation of the "gas in the meter" receivable accounted for in the Energy – France segment described in Note 1.2 to our FY 2011 financial statements.

Income Statements

	HY 2012	HY 2011	FY 2011	FY 2010	FY 2009
			(in millions of €)		
Revenues[1]	50,535	45,678	90,673	84,478	79,908
Purchases	(27,546)	(23,534)	(46,695)	(44,672)	(41,406)
Personnel costs	(6,625)	(6,395)	(12,775)	(11,755)	(11,365)
Depreciation, amortization and provisions	(3,589)	(3,425)	(7,115)	(5,899)	(5,183)
Other operating income and expenses, net	(7,340)	(7,093)	(15,110)	(13,356)	(13,607)
CURRENT OPERATING INCOME	**5,436**	**5,231**	**8,978**	**8,795**	**8,347**
Mark-to-market on commodity contracts other than trading instruments	295	(95)	(105)	(106)	(323)
Impairment of property, plant and equipment, intangible assets and financial assets	(361)	(63)	(532)	(1,468)	(472)
Restructuring costs	(78)	(51)	(189)	(206)	(179)
Changes in scope of consolidation	33	592	1,514	1,185	367
Other non-recurring items	243	51	18	1,297	434
INCOME FROM OPERATING ACTIVITIES	**5,569**	**5,664**	**9,684**	**9,497**	**8,174**
Financial expenses	(2,220)	(1,613)	(3,383)	(2,810)	(2,638)
Financial income	692	538	778	589	1,010
NET FINANCIAL LOSS	**(1,528)**	**(1,075)**	**(2,606)**	**(2,222)**	**(1,628)**
Income tax expense	(1,208)	(1,371)	(2,119)	(1,913)	(1,719)
Share in net income of associates	261	300	462	264	403
NET INCOME	**3,094**	**3,519**	**5,420**	**5,626**	**5,230**
Net income Group share	2,331	2,738	4,003	4,616	4,477
Non-controlling interests	763	781	1,418	1,010	753
EARNINGS PER SHARE (€)	**1.05**	**1.25**	**1.8**	**2.1**	**2.05**
DILUTED EARNINGS PER SHARE (€)	**1.03**	**1.24**	**1.8**	**2.1**	**2.03**

Key Indicators by Business Line

The figures below for HY 2012 and HY 2011 reflect our new segment reporting as of January 1, 2012 and results of operations for HY 2011 for the relevant operating segments have been restated to reflect the new segment reporting. As our FY 2011, FY 2010 and FY 2009 results of operations have not been so restated, the figures for HY 2012 and HY 2011 are not comparative to the FY 2011, FY 2010 and FY 2009 figures with respect to the Energy International, Energy Europe and Global Gas & LNG segments. See "Operating and Financial Review and Prospects of GDF Suez – Segment Reporting" for a further description of the relevant changes to our operating segments. See "Business – Organization" for a description of our business lines.

Revenues[1]

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	13,566	14,982	13,954
Energy Europe & International	36,656	31,770	28,350
Global Gas & LNG	9,936	9,173	10,657
Infrastructures	1,491	1,203	1,043
Energy Services	14,206	13,486	13,621
SUEZ Environnement	14,819	13,863	12,283
Other	0	0	0
TOTAL REVENUES	**90,673**	**84,478**	**79,908**

(1) After intra-group eliminations.

	HY 2012	HY 2011
	(in millions of €)	
Energy International	8,129	7,601
Energy Europe	24,269	21,323
Global Gas & LNG	2,494	1,604
Infrastructures	932	691
Energy Services	7,392	7,087
SUEZ Environnement	7,318	7,373
Other	0	0
TOTAL REVENUES	**50,535**	**45,678**

(1) After intra-group eliminations.

EBITDA

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	505	1,023	366
Energy Europe & International	7,453	5,831	5,027
Global Gas & LNG	2,386	2,080	2,864
Infrastructures	2,991	3,223	3,026
Energy Services	1,005	923	921
SUEZ Environnement	2,513	2,339	2,060
Other	(328)	(332)	(253)
TOTAL EBITDA	**16,525**	**15,086**	**14,012**

	HY 2012	HY 2011
	(in millions of €)	
Energy International	2,164	2,056
Energy Europe	2,485	2,252
Global Gas & LNG	1,415	1,246
Infrastructures	1,718	1,669
Energy Services	531	540
SUEZ Environnement	1,133	1,232
Other	(209)	(130)
TOTAL EBITDA	**9,236**	**8,865**

Current Operating Income

	FY 2011	FY 2010	FY 2009
	(in millions of €)		
Energy France	70	646	288
Energy Europe & International	4,775	3,937	3,534
Global Gas & LNG	1,164	961	1,450
Infrastructures	1,793	2,071	1,947
Energy Services	655	598	598
SUEZ Environnement	1,039	1,025	926
Other	(518)	(443)	(395)
TOTAL CURRENT OPERATING INCOME	**8,978**	**8,795**	**8,347**

	HY 2012	HY 2011
	(in millions of €)	
Energy International	1,448	1,287
Energy Europe	1,647	1,434
Global Gas & LNG	740	687
Infrastructures	1,087	1,086
Energy Services	358	377
SUEZ Environnement	460	561
Other	(303)	(201)
TOTAL CURRENT OPERATING INCOME	**5,436**	**5,231**

OPERATING AND FINANCIAL REVIEW AND PROSPECTS OF GDF SUEZ

The following is a discussion of our results of operations and financial condition as at December 31, 2009, 2010 and 2011 and for FY 2009, FY 2010 and FY 2011 and as at June 30, 2011 and 2012 and for HY 2011 and HY 2012. This discussion should be read in conjunction with the selected historical financial information and the consolidated and condensed consolidated financial information and related notes included under "Selected Consolidated Financial Information." The audited consolidated financial statements as at December 31, 2011 and for FY 2011, including comparative figures as at December 31, 2010 and FY 2010, and as at December 31, 2010 and for FY 2010, including comparative figures as at December 31, 2009, and for FY 2009, have all been prepared in accordance with IFRS. The reviewed condensed consolidated interim financial statements as at June 30, 2012 and for HY 2012 have been prepared in accordance with IAS 34.

Some of the information contained in the following discussion contains forward looking statements that involve risks and uncertainties. Investors should read the section entitled "Forward Looking Statements" for a discussion of the risks and uncertainties related to those statements. Investors should also read the section entitled "Risk Factors" for a discussion of certain factors that may affect our business, results of operations or financial condition.

General Overview

We are one of the world's leading energy companies and a benchmark in the fields of gas, electricity, energy services and the environment.

We operate throughout the entire energy value chain, in electricity and natural gas, upstream to downstream, in purchasing, production and marketing of natural gas and electricity; transmission, storage, distribution, operation and development of major natural gas infrastructures; energy services and services related to environmental management (water, waste).

Our business model is well-balanced with complementary activities across the value chain. Our revenues are balanced between gas, electricity and services and we operate in regions exposed to different business and economic cycles, with a strong presence in emerging markets. We are also balanced between activities exposed to market uncertainties and others that offer recurring revenues (infrastructure, power purchase agreements (PPAs), water regulated activities, etc). Finally, we have a balanced energy mix including low- and zero-carbon energy sources.

Through our offers to industrial and commercial customers, we have kept a substantial market share in our traditional markets and have established ourselves as a major player in continental Europe's largest markets. We are now a leading player on the European markets. In 2010, we were ranked the world's largest listed utility in Forbes' annual ranking of the 2,000 largest listed global companies (24^{th} in the general category, 3^{rd} French company).

We are listed in Brussels (Belgium), Luxembourg and Paris (France), and represented in the following international indices: CAC 40, BEL 20, DJ Stoxx 50, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe and ASPI Eurozone. Following our deregistration with the SEC on October 30, 2009, we also maintain an unlisted Level 1 ADR Program.

The GDF SUEZ Center (based both in Paris and Brussels) is responsible for strategic orientations and financial performance, and in particular for:

- defining and adapting structures;
- developing broad functional policies (finance, strategy, audit, internal control, risk management, human resources, office of general secretary, legal, communications, research-innovation, performance, information systems, purchasing, safety, etc.);
- controlling and overseeing the implementation of internal policies and procedures;
- steering functional lines;

- steering transversal processes, in particular developing synergies between operating segments;
- and within shared service centers and centers of expertise, steering missions that can be shared by several operating segments.

GDF SUEZ S.A. is an operating company and not simply a holding company vis-à-vis its subsidiaries. At the end of 2011, the number of our direct or indirect subsidiaries (controlling interest) was approximately 2,400. Our main consolidated companies are listed in Note 28 of our FY 2011 financial statements.

Factors Affecting Results of Operations

Our results of operations are affected by general industry factors, such as economic and market conditions, demographics of our markets, government policy, legislation and regulation, claims and litigation risk and competition, as well as certain factors distinct to our business, including with respect to our investment portfolio.

In particular, our results of operations have been, and are expected to continue to be, substantially affected by:

- commodity prices (principally natural gas, crude oil, electricity, coal and other fuels utilized in our thermal and nuclear generation, and CO_2 Certificates) and the contractual terms upon which we procure and sell commodities;
- exchange rate of the Euro with other currencies (principally the U.S. Dollar, Pound Sterling, Brazilian Real and Australian Dollar);
- regulatory regimes in the countries in which we operate;
- levels of competition in France, Benelux, elsewhere in Europe and worldwide;
- deregulation of European energy markets and interconnection of markets;
- tax regimes in the countries in which we operate;
- allocations of CO_2 Certificates and volume of CO_2 that we emit;
- volume of electricity we generate and method of generation (thermal, nuclear and renewable);
- volumes of natural gas and electricity we distribute or sell;
- seasonality and fluctuations in weather;
- cost inflation relating to the personnel, materials and equipment used in our operations;
- interest rates;
- synergy benefits and integration costs associated with International Power plc and other businesses we acquire; and
- acquisitions and disposals in a particular period more generally.

See "Risk Factors" for more information on how these factors affect our results of operations as well as the risks associated with these and other factors affecting our results of operations.

The combination of the commissioning of new gas liquefaction capacity, slack demand and the arrival of large volumes of unconventional gas in the United States has, since 2009, led to a situation of overcapacity of natural gas which has had significant consequences on the market price for natural gas in the United States and, to a lesser extent, in Europe. Prices in European spot markets in recent years have remained at levels generally below the prices set in long-term take-or-pay contracts from which we and certain of our competitors purchase a significant portion of natural gas supplies. Prices of natural gas obtained through such contracts have historically been indexed to the market price of energy products with which natural gas is directly or indirectly substitutable (mainly oil products). In light of the factors noted above, the natural gas market prices and oil prices have become more de-correlated in recent years. In FY 2010, our income from operating activities was adversely impacted by a €548 million impairment charge we took in light of the continuing de-correlation between natural gas and oil prices. In recent years, we have sought to renegotiate the terms of our long-term contracts (from which we acquired approximately 53% of our natural gas supplies in FY 2011) and have completed renegotiations of all our significant long-term gas supply contracts in order to ensure that contract prices better reflect more recent market conditions and to shorten the period between review and renegotiation of prices under such contracts.

Our income from operating activities in FY 2010 also reflected a €1,141 million non-recurring write-back from the provision for dismantling gas infrastructures in France (Transportation and Distribution) which we had previously made. This write-back reflected our revision of the timing of our legal obligations in FY 2010 to reflect studies of gas reserves. Based on the publication of the International Energy Agency, which, on the basis of then current production levels, estimated that proven and probable gas reserves were assured for another 250 years, the discounting of these provisions over such a long period results in a present value of virtually zero. These dismantling provisions had been recognized in FY 2008 in connection with the SUEZ-Gaz de France business combination, but with no matching entry in assets due to their nature. Accordingly, the provision for dismantling gas infrastructures in France was written back through income.

Energy businesses, particularly those involved in sales to consumers, are directly affected by changing weather and the measures taken to reduce "climate change". Significant changes in weather (mainly temperature, but also waterfall conditions, which affect water reserves used in hydro-generation, and wind) from one year to another can cause substantial fluctuations in the electricity and gas supply-demand balance: for example, the energy supply is tighter during periods of low waterfall and less restricted in the contrary case; demand is greater during colder years and there is an excess of supply in warmer years. These factors, which combine price and volume impacts, have a direct effect on our revenues and income.

The market for trading CO_2 Certificates in Europe, coupled with national CO_2 quota allocation plans, creates volume and price risks on these quotas (most of which will have charges and fees starting in 2013) for the entire energy sector. We are working to limit "carbon" risks by actively monitoring and diversifying our energy portfolio and by producing low carbon electricity. In the medium-term, efforts are focusing on boosting the share of low-carbon energy sources (nuclear, renewable energy and natural gas) in the total energy mix, improving the capture of biogas from waste storage sites and harnessing the energy produced by incineration, landfills and anaerobic sludge treatment facilities as renewable energy. In the long-term, we seek to diversify our energy sources. The allocation of and market for CO_2 Certificates also creates arbitrage and trading opportunities for us.

We trade on the energy markets, principally either for supply purposes, or to optimize and secure our energy production and selling chain, by means of current transactions (spot or forward). We also rely on derivative products linked to energy in order to provide our customers with hedging instruments and to hedge our own positions. Further, the majority of our electricity generation outside Europe is typically subject to long-term electricity sale contracts (PPA), often with local authorities, in which variations in operational expenses, in particular fuels, are transferred as pass through into electricity sale prices thereby limiting exposure to price fluctuation risks.

Portfolio Optimization

We believe that a corporate rating for us below the "A" category or its equivalents would limit our ability to operate efficiently in the international energy markets. Accordingly, we have established our financial policies and capital structure objectives in a manner that we believe should, under normal market conditions, ensure that we maintain ratings at or above "A" or its equivalents. Consistent with this objective, we are currently pursuing a portfolio optimization program through which we are seeking to reduce in the medium-term (2011-2013) our net debt by €13 billion (measured following the acquisition of International Power plc in February 2011) by disposing of non-core assets and entering into certain strategic partnerships. As of the end of June 2012, approximately €8.1 billion in disposals have been completed under this program.

The disposals and entries of non-controlling shareholders carried out in HY 2012 within the scope of this program led to a total of €303 million reduction in net debt versus December 31, 2011, including as a result of the disposal of a 40% interest in Hidd Power Company (for a price of €87 million, which reduced our net debt by €87 million in HY 2012), the disposal of the Choctaw plant (for a price of €200 million, which reduced our net debt by €74 million in HY 2012), the disposal of Eurawasser (for a price of €95 million, which reduced our net debt by €89 million in HY 2012) and the sale of our 17.44% interest in HUBCO (for a price of €52 million, which reduced our net debt by €52 million in HY 2012). Hidd Power Company and the Choctaw plant were classified as "Assets classified as held for sale" at December 31, 2011. This classification resulted in a €580 million decrease in net debt at December 31, 2011. In total, both transactions reduced consolidated net debt by €741 million.

In addition to the transactions listed above which were effective at June 30, 2012, we classified certain assets as "non-current assets classified as held for sale". The reclassification of Sohar Power Company SOAG in the statement of financial position as well as the other changes in the scope of consolidation resulted in a further €525 million reduction in net debt as of June 30, 2012. Also, Senoko, which was previously proportionately consolidated, was accounted for under the equity method during the period ending June 30, 2012.

For further information regarding our portfolio optimization program, see Note 2 to our FY 2011 financial statements and Note 2 to our HY 2012 financial statements. For further description of the transactions described above see, "—Acquisitions/Disposals – Other Acquisitions/Disposals in Periods under Review — HY 2012" below.

Acquisitions/Disposals

Our results of operations are impacted by changes in the scope of our consolidation as a result of acquisitions, disposals, investments by non-controlling shareholders and other restructuring of equity interests in and assets held by our members for the periods under review. We have excluded the impact of changes in scope when presenting our organic results of operations under "—Results of Operations" as discussed more fully below under "—Basis of Presentation – Non-IFRS Measures."

Merger of SUEZ into Gaz de France

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.

The merger of SUEZ into Gaz de France, which became effective on July 22, 2008 (at which time Gaz de France became fully consolidated), had a significant impact on our results of operations in recent years. The merger resulted in the consolidation of significant new operations as well as certain divestments which we agreed with the European Commission to carry out in connection with the merger, which were completed during FY 2008 and FY 2009.

Other Acquisitions/Disposals in Periods under Review

Our results of operations and financial condition were also impacted by various acquisitions and disposals that were effectuated during the period under review in this Offering Memorandum, the most significant of which are discussed below. For further information regarding the main changes in our structure in the periods under review, see Note 2 to our HY 2012, FY 2011 and FY 2010 financial statements. We have presented the various acquisitions and disposals in the first period in which the acquisition or disposition impacted our consolidated results of operations.

HY 2012

Non-controlling interest in International Power. On June 29, 2012, we acquired 1,542 million ordinary shares representing 30.26% in International Power plc for €7,974 million, following which we now hold 100% of the voting rights of the International Power group of companies. On July 2, 2012, the International Power plc shares were delisted from the London Stock Exchange. On July 12, 2012, a cash payment of €7,875 million was made and loan notes with a nominal value of €99 million were issued. These non-subordinated loan notes pay annual interest of 0.25% and can be reimbursed from June 29, 2013 and up to June 29, 2015 at the latest.

As the transaction is carried out between current shareholders, there is a €2,076 million difference between the purchase price, i.e., €7,974 million, and the carrying amount of the non-controlling interests is deducted from shareholders' equity. Including transaction fees, this transaction reduced shareholders' equity by €8,062 million at June 30, 2012. Following the cash payment of €7,875 million on July 12, a financial liability of €7,974 million with respect to International Power's non-controlling interests was recognized in the following lines of the statements of financial position at June 30, 2012: €7,875 million under "Current—Borrowings and debt" in respect of the cash payment and €99 million under "Non-current—Borrowings and debt" in respect of the loan notes. For further information regarding the acquisition of International Power plc and the main changes in our structure as a result thereof, see Note 2 to our HY 2012 financial report.

Hidd Power Company (Bahrain). On May 10, 2012, we sold 40% of the share capital of our subsidiary Hidd Power Company to Malakoff International Ltd for $113 million (€87 million). Our residual 30% interest in Hidd Power Company is accounted for by the equity method. The carrying amount of this associate totaled €36 million at June 30, 2012. This transaction had no impact on the income statement for the six months ended June 30, 2012. For further information regarding the disposition and the main changes in our structure, see Note 2 to our HY 2012 financial report.

Choctaw plant. On February 7, 2012, the Group completed the sale of the 746 MW Choctaw combined cycle plant in Mississippi for a total of $259 million (€200 million), for a gain of €4 million. An initial payment of $96 million (€74 million) was made in February 2012. The remaining consideration should be paid in February 2013. For further information regarding the disposition and the main changes in our structure, see Note 2 to our HY 2012 financial report.

Eurawasser. On February 13, 2012, we sold our subsidiary Eurawasser, which specializes in water distribution and treatment services, to the Remondis group for €95 million, for a gain of €34 million. For further information regarding the disposition and the main changes in our structure, see Note 2 to our HY 2012 financial report.

HUBCO. On June 13, 2012, we sold our 17.44% interest in The Hub Power Company Ltd (HUBCO), an independent power producer in Pakistan, for 6.3 billion Pakistani rupees (€52 million), for a capital loss of €9 million. For further information regarding the disposition and the main changes in our structure, see Note 2 to our HY 2012 financial report.

Senoko Shareholder Agreement. On June 29, 2012, an amendment to Senoko's shareholders' agreement approved by the shareholders and the company's lenders resulted in a loss of joint control of the company. As a result, the Group's 30% interest in Senoko, which was previously proportionately consolidated, is now accounted for under the equity method. The carrying amount of this associate amounted to €302 million at June 30, 2012. The fair value adjustment for this change in consolidation method was not material. For further information regarding the disposition and the main changes in our structure, see Note 2 to our HY 2012 financial report.

FY 2011

International Power. On February 3, 2011, we acquired a controlling interest in International Power plc, a company listed on the London Stock Exchange. The acquisition took the form of a contribution by GDF SUEZ SA of GDF SUEZ Energy International to International Power plc in exchange for common equity thereof. GDF SUEZ SA also made equity contributions of €5,277 million and GBP 1,413 million (€1,659 million) to GDF SUEZ Energy International entities in connection with the acquisition. The entire sum of the GBP 1,413 million capital increase was used to finance a special dividend of GBP 0.92 per share which was paid to shareholders of record on February 11, 2011 (excluding our shareholding). As a result of the transactions, we increased our interest in International Power plc to 69.78%. International Power plc has been fully consolidated in our results since February 3, 2011.

The contribution of entities acquired from International Power plc to revenues, current operating income and our net income share for the year ended December 31, 2011 amounted to €4,050 million, €590 million and €207 million, respectively. In FY 2010 (prior to its consolidation), International Power plc reported revenues and our net income share at €4,444 million and €118 million, respectively. For further information regarding the acquisition of International Power plc and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 financial report.

Unwind of Acea Energy Partnership. Pursuant to an agreement dated December 16, 2010, which came into effect during the first quarter of 2011, Acea and we terminated our partnership and shareholder agreement concerning energy activities in Italy. As a result of the parties unwinding their cross-holdings, we raised our indirect interest in the electricity production company Tirreno Power SpA to 50%, through the acquisition of the entire share capital of Eblacea SpA (renamed as GDF SUEZ Italia Holding Partecipazioni SpA). We also acquired Acea's interest in AceaElectrabel Trading SpA (renamed as GDF SUEZ Energy Management SpA), the share capital of AceaElectrabel Produzione Spa (AEP) (renamed as GDF SUEZ Produzione SpA) (following the spin off of certain of AEP's assets to Acea) and certain pre-emptive rights over the hydroelectric assets transferred to Acea as well as over AceaElectrabel Elettricita (AEE) in case of sales by Acea within three years from the effective date of the unwinding. Also, we transferred our 40.59% interest in AEE to Acea. For further information regarding the transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 financial report.

Belgium Intermunicipal Companies. During FY 2011, various transactions were carried out in Flanders and Wallonia concerning the capital of the mixed intermunicipal electricity and gas distribution network operators in which Electrabel, a wholly-owned subsidiary, holds interests. In Flanders, a capital gain of €425 million was recognized in our income statement in FY 2011 as a result thereof. In addition, (i) our sale of 5% of our shares in Wallonia inter-municipal companies, bringing our interest to 25% at June 30, 2011, resulted in a €83 million capital gain, and (ii) share capital reductions at the inter-municipal companies in Wallonia during June 2011 resulted in a positive €49 million impact in "Share in net income of associates". For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 financial report.

GRTgaz. Effective on June 27, 2011, the public consortium composed of CNP Assurances, CDC Infrastructure and Caisse des Dépôts acquired 25% of the share capital and voting rights of our subsidiary GRTgaz, a natural gas transmission network operator in France, for a consideration of €1,110 million. This amount, comprised of €810 million for the acquisition of 18.2% of the share capital and a 6.8% share capital increase of €300 million, was made pursuant to an investment agreement setting forth a long-term partnership in natural gas transmission between the consortium and us. Prior to these transactions, GRTgaz paid GDF SUEZ a special dividend of €805 million. For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 financial report.

Gas storage sites in Germany. On August 31, 2011, we acquired a controlling interest in BEB Speicher Gmbh ("BEB") and ExxonMobil Gasspeicher Deutschland Gmbh ("EMGSG") for €657 million and €258 million respectively, subject to adjustment to reflect BEB's and EMGSG's working capital requirement and net debt at August 31, 2011. The acquisition contributed €34 million to revenues and €7 million to our net income share in FY 2011.

During the first half of 2012, the Group continued to measure the fair value of identifiable acquired assets and liabilities assumed at the acquisition date and accounted for adjustments in comparison to the provisional fair values recognized in 2011. The main adjustments relate to industrial storage facilities whose fair value was increased by €153 million compared with provisional values in 2011 and the relevant deferred tax liabilities which increased by €44 million. After recognition of these adjustments, goodwill arising on this acquisition amounted to €436 million.

The purchase price allocation will be finalized in the consolidated financial statements for the year ended December 31, 2012.

For further information regarding the transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 and HY 2012 financial reports.

CIC Investments. As part of the cooperation agreement signed in August 2011 between GDF SUEZ and CIC, on December 20, 2011 we sold to CIC a 30% noncontrolling interest in our E&P business ("GDF SUEZ E&P") for USD 3,257 million (€2,491 million). Under the terms of the relevant agreement, CIC also acquired GDF SUEZ LNG Liquefaction which holds a 10% stake in the Atlantic LNG facility based in Trinidad and Tobago for consideration of USD 879 million (€672 million). Prior to the transaction and in accordance with the purchase agreement of October 31, we carried out measures to restructure GDF SUEZ E&P International, or "EPI" (the holding company for GDF SUEZ E&P) and reduce its net debt to USD 1 billion (€749 million). We retain exclusive control of GDF SUEZ E&P. For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 financial report.

G6 Rete Gas. On October 3, 2011, we sold our entire interest in G6 Rete Gas, a gas distributor in Italy, to the consortium of infrastructure funds comprised of F2i, AXA Private Equity and Enel Distribution for a consideration of €402 million. The contribution of G6 Rete Gas to our net income share amounted to €5 million in 2011 (before the impact of the disposal loss) and €23 million in 2010. The sale generated a capital loss of €38 million (see Note 5.4 to our FY 2011 financial report) and led to a reduction of €737 million in consolidated net debt (reflecting the consideration of €402 million and the impact of derecognizing the €335 million in net debt carried in G6 Rete Gas' statement of financial position prior to the sale). For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 financial report.

WSN Environmental Solutions. On February 1, 2011, SUEZ Environnement, through its 60% subsidiary SITA Environmental Solutions (SITA Australia), purchased WSN Environmental Solutions (WSN), a company active in waste management, from the government of New South Wales for €174 million. This acquisition supplements SITA Australia's recycling and treatment capacity.

Bristol Water. On October 5, 2011, SUEZ Environnement's subsidiary Agbar sold 70% of its interest (18.67% at the level of GDF SUEZ) in Bristol Water, a regulated water distribution company in the UK that was fully consolidated in our financial statements up to the date of sale. The selling consideration totaled GBP 132 million (€152 million). For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2011 financial report.

Eurawasser. On December 8, 2011, SUEZ Environnement signed an agreement to sell the German subsidiary Eurawasser, a specialist in drinking-water distribution and wastewater treatment, to the Remondis Group. SUEZ Environnement finalized the transaction, concluded for €95 million, on February 13, 2012.

EFOG. On December 31, 2011, we sold our 22.5% interest in EFOG to Total for a consideration of €631 million. EFOG was a joint venture (proportionately consolidated) between GDF SUEZ and the operator Total E&P UK Limited (77.5%) which itself holds a 46.2% interest in the Elgin-Franklin natural gas and condensate fields in the British North Sea. EFOG's contribution to our net income share amounted to €55 million in 2011 (before the impact of the disposal gain) and €76 million in 2010. Our relationship with EFOG and its transactions with this related party in 2011 and 2010 are detailed in Note 24 to our FY 2011 financial statements. The disposal led to a €460 million reduction in consolidated net debt at December 31, 2011 (representing the payment of €496 million less cash and cash equivalents carried in EFOG's statement of financial position prior to the sale).

Other. Several other acquisitions and equity transactions took place in 2011, including the acquisition of controlling interests in WSN Environmental Solutions in Australia and Proenergy Contracting in Germany. The individual and aggregate impacts of these transactions on the consolidated financial statements were not material.

FY 2010

Chile. On November 6, 2009, Corporación Nacional del Cobre de Chile ("Codelco") and we decided to reorganize our respective shareholdings in certain companies operating in the Chilean Northern Interconnected System. Accordingly, on January 29, 2010, through our subsidiary SUEZ Energy Andino SA ("SEA"), we acquired a 52.4% controlling stake in E-CL SA, formerly Edelnor SA. €173 million in consideration was transferred in the form of equity interests (€80 million) and cash (€93 million). For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2010 financial statements.

Astoria Energy I. On January 7, 2010, we increased our interest to 65.4% in the 575 MW Astoria Energy I natural gas-fired power plant located in Queens, New York. The consideration paid for the additional shares amounted to €156 million.

Unwind of Veolia partnership. On March 23, 2010 SUEZ Environnement and the Veolia Environnement group announced the unwinding of all their cross-holdings in eight water management companies in France. Lyonnaise des Eaux simultaneously sold all of its interests in Société des Eaux de Marseille and Société des Eaux d'Arles to

Veolia-Eau. For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2010 financial statements.

Fluxys. On May 5, 2010, we sold to Publigaz our remaining shareholding in Fluxys (38.5%) for €636 million. We also transferred our 6.8% holding in Fluxys LNG to Fluxys for €28 million.

Sale of Elia. On May 10, 2010, we sold to Publi-T the 12.5% interest held by Electrabel SA in Elia SA (Elia) for €160 million. We also sold our remaining 11.7% stake in Elia SA to various institutional investors on May 18, 2010, for €153 million.

Stake in Nord Stream. On July 1, 2010, GDF SUEZ Holding Switzerland AG acquired, together with Gazprom and other shareholders, a stake in the capital of Nord Stream AG, a Swiss company whose purpose is the construction and operation of two natural gas pipelines offshore, crossing the Baltic Sea from Russia to Germany, for €238 million**.** In connection with this acquisition, we are acting as sponsor in the financing of the pipeline project, providing a commitment of up to 9% of certain guaranteed obligations.

Agbar. On June 8, 2010, we acquired an additional 25% stake; giving us a controlling interest (75.23%), in the water and environmental activities of Aguas de Barcelona (Agbar) through SUEZ Environnement. Agbar also sold its entire stake in Adeslas (health insurance) to Criteria for a consideration of €687 million and Criteria simultaneously sold some of its shares in Agbar to us for a total of €666 million. For further information regarding this transaction and the main changes in our structure as a result thereof, see Note 2 to our FY 2010 financial statements.

Other. Several other acquisitions and equity transactions took place in 2010, including the buy-out of non-controlling interests in Gaselys, acquisition of a controlling interest in GNL Mejillones in Chile, and proportionate consolidation of PTTNGD businesses in Thailand following the change in the company's bylaws. The individual and aggregate impacts of these transactions on the consolidated financial statements were not material.

FY 2009

European capacity swap agreements. In the autumn 2006, Electrabel agreed with the Belgian Government to mitigate its dominant position (the "Pax Electrica II") in the electricity sector. As part of this commitment, in February 2009 Electrabel sold 250 MW nuclear capacity to Société de Production de l'Electricité (SPE), now known as EDF Luminus, through an increase of SPE's share in the units Doel 3 & 4 and Tihange 2 & 3. Moreover, SPE has acquired 100 MW additional nuclear capacity on the Belgian grid in exchange for 100 MW participation in the Chooz nuclear power plant in France. In the same context, on July 31, 2009, Electrabel and E.ON signed the final agreements concerning the swap of conventional and nuclear power plant capacity which was carried out on November 4, 2009. On completion of the transaction, Electrabel (Energy Benelux & Germany segment) acquired from E.ON a total of 860 MW of capacity from conventional power plants and some 132 MW of hydro-electric capacity, for a consideration of €551 million. As part of the agreement, Electrabel sold to E.ON the Langerlo coal and biomass plant (556 MW) as well as the Vilvoorde gasfired power plant (385 MW) for an amount of €505 million. We also sold approximately 770 MW in drawing rights from nuclear power plants with delivery points in Belgium and the Netherlands, which are recognized under down-payments received in respect of future obligations to deliver electricity. No cash was exchanged between Electrabel and E.ON in respect of these transactions.

Other. Various acquisitions that are not individually material were carried out in 2009 include the buyout of non-controlling shareholdings in Reti in Italy, acquisitions of Izgaz in Turkey, Heron in Greece and Evi in the Netherlands, and of an interest in Wuppertal Stadtwerke Energie und Wasser in Germany.

Regulation

Our business activities are conducted in many different countries and are therefore subject to a broad range of legislation, including regulations at the European, national and local level concerning competition, regulated energy rates, infrastructure access rates, licenses, permits and authorizations, among others.

Belgian Framework

Since 2008, Belgian authorities have claimed each year a nuclear contribution levy on the nuclear power industry of about €250 million, of which the largest share has been imposed upon Electrabel (€213 million in 2009, €212.3 million in 2010, and €212.2 million in 2011, each on a pre-tax basis). In 2011, Electrabel filed an appeal against the levy for the years 2008, 2009 and 2010 with the Brussels Court of first instance. See Note 26.1.16 in our FY 2011 financial statements.

On October 22, 2009, we entered into a protocol agreement with the Belgian State, signed by the Prime Minister and the Energy Minister. This agreement marked a shared commitment to seeing us continue to operate in Belgium in a long-term stable legal framework. In it, the Belgian State undertook not to raise the amount of the nuclear contribution and to extend the operational lifetime of the nuclear plants Doel 1, Doel 2 and Tihange 1 by 10 years (from 40 to 50 years) and we agreed to pay certain levels of nuclear contribution levies on an annual basis.

However, following the nuclear accident that occurred in March 2011 in Fukushima (Japan), several European governments, including Germany and Belgium, have called into question their position on nuclear power. The Belgian authorities imposed stress tests in order to assess the risks of the nuclear power plants. Electrabel fully cooperated in designing and carrying out these tests in Belgium. At the end of October 2011, we presented our reports to the Federal Agency for Nuclear Control (FANC). The results of the FANC report issued in December 2011 were positive for Electrabel.

Following its meetings on July 4 and July 20, 2012, the Belgian Council of Ministers announced its decision to proceed with the closing of Doel 1 and Doel 2 (i.e. 866MW) at the end of the authorized period (2015) and the possible extension of Tihange 1 by ten years until 2025. We expect that the closing of Doel 1 and 2 will reduce net result before tax by approximately €100 million after 2015.

However, in order to proceed with the prolongation of Tihange 1, for which the cost estimate reaches €600 million (Group share € 300 million)**,** we require a clear and stable legal framework, allowing us to evaluate the economic profitability of such investment. We expect legislative developments in autumn regarding related to the future of the nuclear sector in Belgium. Generally speaking, we have not, at this stage, changed our industrial vision on the sector and are waiting for the necessary precisions on the conditions of implementation.

For a further update of recent events regarding the Belgian regulatory situation, see "—Current Trading and Prospects – Significant Events Since June 30, 2012."

Gas Tariffs in France

Services relating to the use of our natural gas infrastructure in France are billed based on the public distribution tariff applicable to all network users, except for storage infrastructure. The prices for reservations and use of storage facilities are established by storage operators and based on auctions of available capacity.

We sell natural gas based on either (i) administrative rates or (ii) negotiated prices for customers who have opted to select their gas provider and who have therefore left the administrative rate system. The two types of administrative rates are (i) public distribution rates (for customers who use less than 5 GWh per year and are connected to the distribution network) and (ii) subscription rates (for customers who use more than 5 GWh per year and are connected to the distribution network or directly to the transmission network).

The overall pricing structure is fixed in France by the Law of January 3, 2003 and the decree of December 18, 2009, which together regulate the rate of natural gas fuel sold via the French transmission and distribution networks. These provisions state that prices must cover corresponding costs. The decree clarifies the roles of government and the ERC. Once a year, the government publishes a decree, after taking advice from the ERC, setting out the changes in non-material costs and the formula representing the changes in supply costs.

In the interval between any two governmental decrees, after review by and advice from the ERC, we can pass on changes in supply costs resulting from the implementation of the pricing formula. See "Business – Organization of Activities and Description of Business Lines – Energy France – Regulatory Framework – Administrative Rates" above.

For an update of events regarding natural gas tariff freezes in France, see "—Current Trading and Prospects – Significant Events Since June 30, 2012."

BASIS OF PRESENTATION

Non-IFRS Measures

Organic results

In order to enable investors to follow the year-to-year changes in our underlying operations, we have included and discussed non-IFRS organic measures of performance in this section which are calculated by excluding the effects of changes in the scope of consolidation and currency variances from our reported results under IFRS. We believe such measures facilitate an understanding of the underlying economic performance of our operations. Variations in the scope of consolidation as a result of acquisitions and disposals may increase or decrease our results of operations in comparison to prior years and thus make it difficult to discern the performance of our underlying business. Similarly, as a global business operating in numerous currencies, changes in exchange rates of local currencies of our subsidiaries to the euro, our reporting currency, may result in an increase or decrease in our results of operations as reported in the our financial statements. Our organic measures of performance should not be used as a substitute for our results of operations calculated in accordance with IFRS, but rather should be used to better understand the amounts, character and impact of the adjustments to the IFRS results.

In calculating the effects of changes in the scope of consolidation, when a previously consolidated entity is sold or otherwise disposed of, relevant results from this entity are excluded from impacted prior-year periods when the results would otherwise have been reflected in our consolidated IFRS results. Similarly, when an entity is acquired, relevant results from this entity which would otherwise have been consolidated are excluded from impacted periods. We calculate the impact of currency variances by converting the figures from the previous year as reported in their local currencies by subsidiaries consolidated in the current year with a functional currency other than the Euro within the scope of consolidation using the exchange rates for the current year.

Percentages of changes in our results on an organic basis are then computed on the basis of the current year results, adjusted to account for the changes of scope of consolidation related to disposals and impact of currency variances as described above, as compared to the prior year consolidated results similarly adjusted.

EBITDA

EBITDA indicates our current operating income before depreciation and amortization, share-based payments and net disbursements under concession contracts. We present EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period by omitting potential differences between periods caused by variations in capital structure, tax positions and the age of, and depreciation expenses associated with, fixed assets. EBITDA should not be considered in isolation or as a substitute for operating profit or other statement of operations or cash flow data prepared in accordance with IFRS as a measure of our profitability or liquidity. In particular, there are material limitations associated with the use of EBITDA as compared with such IFRS measures, including the limitations inherent in our determination of each of the adjustments noted above.

We seek to compensate for those limitations by providing below a detailed reconciliation of EBITDA to current operating income, the most directly comparable IFRS measure, as well as the more textual analysis of the period-on-period changes in the key components of each of the reconciling items appearing under the caption "—Results of Operations" for each of the relevant periods. EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, EBITDA, as presented in this Offering Memorandum, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated.

Net Debt

Net debt indicates our gross debt reduced by our net cash (including financial assets at fair value, effect of margin calls, cash and cash equivalents and derivatives hedging borrowings).

For FY 2011, we reviewed our definition of net debt in order to make the different components more consistent from an economic standpoint. Accordingly, derivatives qualifying as net investment hedges (consolidated shareholdings whose functional currency is not the Euro) and the interest rate component of interest rate hedging instruments (not qualifying as hedges or qualifying as cash flow hedges) are now excluded from the net debt as the hedged items are not included in net debt. In addition, financial assets relating to debt instruments – essentially deposits pledged as part of project financing arrangements – are now shown as a deduction from gross debt. The application of the revised net debt definition led to a decrease of €796 million in net debt as of December 31, 2010 compared with reported net debt under the previous definition.

Free Cash Flow

We compute free cash flow as operating cash flow excluding tax cash expenses, net interest expenses, changes in working capital requirements and maintenance capital expenditures.

Capital Expenditure

We define capital expenditure as comprising our investments in tangible, intangible and financial assets.

Segment Reporting

In accordance with the provisions of IFRS 8 – Operating Segments, the operating segments used to present segment information were identified on the basis of internal reports used by our management to allocate resources to the segments and assess their performance.

Segment Reporting and Presentation of Results of Operations through December 31, 2011

Following the acquisition of a 69.78% controlling interest in International Power plc, on February 3, 2011, the Energy Europe & International business line in FY 2011 was composed of the following operating segments: Benelux & Germany, Europe and International Power. International Power plc has been fully consolidated since February 2011.

As of December 31, 2011, we were organized into the following eight operating segments:

- **Energy France** – subsidiaries in this operating 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 operating segment produce and sell electricity and/or gas, in Belgium, the Netherlands, Luxembourg and Germany;
- **Energy Europe** – subsidiaries in this operating segment produce electricity and/or provide electricity and gas transmission, distribution and sales services in Europe (excluding France, the United Kingdom, Benelux and Germany);
- **International Power** – subsidiaries in this operating segment produce and market electricity in North America, Latin America, Asia, the United Kingdom and other Europe, the Middle East, Africa and Australia, distribute and market gas in North America, Asia, Turkey and Australia; and are active in LNG import and regasification in North America and Chile and seawater desalination in the Arabian peninsula,
- **Global Gas & LNG** – subsidiaries in this operating segment supply gas to the Group and sell energy and service packages to key European players, using proprietary production as well as long-term gas and LNG contracts;

- **Infrastructures** – subsidiaries in this operating segment operate gas transportation, storage and distribution networks, and LNG terminals, essentially in France and Germany. They also sell access rights to this infrastructure to third parties;

- **Energy Services** – subsidiaries in this operating segment provide engineering, installation, maintenance and delegated management services, particularly in relation to electrical and heating facilities, pipeline systems and energy networks;

- **SUEZ Environnement** – subsidiaries in this operating 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. We hold 35.68% of SUEZ Environnement Company, a company listed on the Euronext exchanges in Paris and Brussels, and exercise exclusive control through a shareholders' agreement described at "Business – Organization of Activities and Description of Business Lines – Suez Environnement". Accordingly, SUEZ Environnement Company is fully consolidated.

The main relationships between operating segments concern (i) Energy France and Infrastructures, as a result of the use of our gas transportation, distribution and storage infrastructures in France and (ii) Global Gas & LNG and Energy France/Energy Benelux & Germany as a result of the provision of natural gas by Global Gas & LNG for sale to end customers of Energy France/Energy Benelux & Germany. Services relating to the use of the Group's gas infrastructures in France are billed based on a regulated fee applicable to all network users, except for storage infrastructure. The prices for reservations and use of storage facilities are established by storage operators and based on auctions of available capacity. Sales of molecules between Global Gas & LNG and Energy France/ Energy Benelux & Germany 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 (ERC).

Prior to the consolidation of International Power plc in FY 2011, we presented our historical operations which became part of the International Power operating segment as three separate geographical segments: North America, Latin America and Middle East, Asia & Africa. Also, in FY 2011, we transferred assets in the United Kingdom and gas distribution activities in Turkey to the International Power operating segment – these were previously presented within Energy Europe segment. Except as otherwise indicated, we have restated the FY 2010 segment information to present our operating segments as of December 31, 2011, with respect to discussions comparing FY 2011 to FY 2010. However, for FY 2009 and FY 2010, for purposes of discussions comparing FY 2010 to FY 2009, we present the prior segment information as it relates to the Energy Europe & International activities.

Current Segment Reporting as from January 1, 2012

On January 1, 2012, we reorganized our energy businesses by creating two business lines, Energy International and Energy Europe, and redefining the scope of the Global Gas & LNG business line. We are now organized around the following six operating segments: the Energy International, Energy Europe, Global Gas & LNG, Infrastructures, Energy Services and Environment business lines.

- **Energy International –** includes the operations of the International Power group of companies. Up until December 31, 2011, these activities were grouped under the International Power operating segment within the Energy Europe & International business line;

- **Energy Europe** –includes (i) the following former operating segments of the Energy Europe & International business line, as described above: the Energy France; Energy Benelux & Germany and Energy Europe business areas; and (ii) the "Gas Supply" and "Key Account Sales" activities within the Global Gas & LNG business line. Energy Europe carries out activities involving distribution of natural gas, electricity production and energy sales in continental Europe. It operates our assets in continental Europe in the fields of gas (excluding infrastructure managed by the Infrastructures business line) and electricity (excluding certain assets historically operated by International Power in Italy, Germany, the Netherlands, Spain and Portugal);

- **Global Gas & LNG** -- includes upstream activities of the natural gas value chain, following the transfer of the “Gas Supply” and “Key Account Sales” activities to Energy Europe. In the area of exploration and production, the business line engages in the exploration, development and operation of oil and gas fields. On the LNG chain, the business line manages a long-term gas supply contract portfolio and interests in liquefaction facilities, operates an LNG fleet, and owns regasification capacities in LNG terminals. Global Gas & LNG is selling a portion of its LNG supply contracts to other Group entities and, in particular, the “gas supply” activity of the Energy Europe business line;

- **Infrastructures** – this operating segment is as described above for the period ending December 31, 2011;

- **Energy Services –** this operating segment is as described above for the period ending December 31, 2011;

- **SUEZ Environnement –** this operating segment is as described above for the period ending December 31, 2011.

Discussions below regarding HY 2012 and HY 2011 reflect our new segment reporting as of January 1, 2012 and results of operations for HY 2011 for the relevant operating segments have been restated to reflect the new segment reporting. As our FY 2011, FY 2010 and FY 2009 results of operations have not been so restated, the presentation of our results of operations for HY 2012 and HY 2011 are not comparative to the FY 2011, FY 2010 and FY 2009 presentations with respect to the Energy International, Energy Europe and Global Gas & LNG segments.

CURRENT TRADING AND PROSPECTS

Significant Events Since June 30, 2012

Jirau Hydro project. On October 1, 2012, BNDES (the Brazilian Development Bank) confirmed an additional loan of up to BRL 2.3 billion (€0.9 billion) to the Jirau project in Brazil, potentially increasing the total project debt available to BRL 9.5 billion (€3.6 billion). Furthermore, we acquired an additional 9.9% equity holding from Camargo Correa (“Camargo”) in the Jirau hydro power plant subject to the terms of the existing shareholder agreement at a price based on Camargo’s adjusted equity contributions in the project to date. This acquisition is subject to regulatory approval and is expected to be completed by December 31, 2012.

Swiss Franc bond issuance. On September 14, 2012, we priced a 450 million Swiss Franc bond issuance (around €370 million) in two tranches: 8 year tranche of 275 million Swiss Franc with a 1.125% coupon and a 12 year tranche of 175 million Swiss Franc with a 1.625% coupon. This financing has been swapped into Euro floating rate at an average spot level of 1.16%. The issuance is expected to settle on October 9, 2012.

Buyback of International Power Shares. On July 13, 2012, we purchased, for €620 million, 118 million International Power shares that had been created following the conversions carried out between July 1, 2012 and July 10, 2012 by the holders of bonds convertible into International Power shares (the “International Power Convertible Bonds”). On September 11, 2012, we purchased, for €1,208 million, 228 million International Power shares that had been created following the conversions carried out between July 11, 2012 and August 28, 2012 by the holders of International Power Convertible Bonds. These transactions led to a €718 million rise in net debt and a €345 million reduction in total shareholders’ equity, in light of the derecognition of (i) debt corresponding to the bonds converted into shares, the carrying amount of which totaled €1,110 million at June 30, 2012, (ii) the derivate instrument related to the optional value embedded in the convertible bonds issued in US dollar which amounted to €518 million and (iii) the related €145 million in deferred tax assets. A further €25 million of the residual International Power Convertible Bonds were redeemed at par plus accrued interest on September 27, 2012.

French natural gas tariff freeze. On July 10, 2012, further to claims filed by GDF SUEZ and the French association of energy retail operators (*Association nationale des opérateurs détaillants en énergie – ANODE*), the *Conseil d’État* (France’s highest administrative court) canceled the decree of September 29, 2011 on regulated natural gas prices issued by the Ministers for Economic Affairs and Energy. In its decision on the merits, the *Conseil d’État* held that the decree was vitiated by an error of law, in that it set the prices at a level lower than that which would have resulted from the application of the pricing formula as defined under current regulations.

According to the *Conseil d'État*, if the Ministers believed that it was necessary to alter the pricing formula due to changes in supply costs, they should have altered the formula before setting any new prices. The *Conseil d'État* instructed the Ministers to issue a new decree, within one month, setting prices for the period from October 1, 2011 to January 1, 2012 in accordance with current regulations.

The freeze of regulated natural gas prices over the last quarter of 2011 resulted in an estimated shortfall amounting approximately to €290 million. The financial consequences of the decision of the *Conseil d'État* and of the new decree will be recognized during the second half of 2012. In addition, the ministerial decree of July 18, 2012 sets the increase in regulated natural gas prices in France at 2% for the period from July 20, 2012 to December 31, 2012. The government's decision to limit the July increase to 2% is not enough to cover the supply costs of GDF SUEZ, as was pointed out by the French Energy Regulation Commission (CRE) in its July 17 proceedings.

Pursuant to the ministerial decree of September 26, 2012, an additional 2% increase was applied to regulated natural gas prices in France effective October 1st, 2012. However, we consider that these price increases will not enable us to cover all our natural gas supply costs and other costs.

€1.5 billion bond offering. On July 10, 2012, we completed a €1,500 million bond issue in two tranches of €750 million each: a first tranche expiring in July 2017 and paying interest of 1.5%; a second tranche expiring in July 2022 and paying interest of 2.625%. This offering was carried out to finance the acquisition of non-controlling interests in International Power. It reduces the syndicated credit facility entered into on May 4, 2012 (see Note 6.3.2.2 of our HY 2012 financial statements), with the remaining amount drawn or available under the facility of €1.5 billion.

Belgian nuclear power production -- decisions by the Belgian government and Doel 3 / Tihange 2 nuclear facility operations. The Belgian Council of Ministers announced a series of decisions on the electricity market following its meetings on July 4 and July 20, 2012. In particular, the Belgian government confirmed the following schedule and removed the possibility – provided for by Article 9 of the Act of 2003 on the phase-out of nuclear power – to derogate from the phase-out schedule by ordinary Royal Decree:

- the Doel 1 and Doel 2 reactors will be closed in 2015, while the operating lifetime of Tihange 1 will be extended by ten years until 2025;
- the Doel 3, Tihange 2 and Tihange 3/Doel 4 reactors will be closed in 2022, 2023 and 2025, respectively.

The Council of Ministers also announced certain other decisions, including the offering to the market of the nuclear capacity that would be extended. It also confirmed its intent to continue receiving a nuclear contribution during the current parliamentary term.

The Group publicly expressed that as a result of these decisions the Belgian government was not complying with the Memorandum of Understanding entered into in October 2009, as described above under "Regulation – Belgian Framework", which contains firm and reciprocal commitments that are binding on the parties, especially as regards the ten-year extension of the lifespans of the Doel 1, Doel 2 and Tihange 1 nuclear power plants.

No information was provided that allows us to assess the economic sustainability of the nuclear capacity that would be extended and offered to the market. At this stage, the content and consequences of most of these announcements remain unclear, both in terms of the energy landscape as a whole and the conditions in which the measures announced are to be implemented and applied. Accordingly, and pending further clarification, we are prepared to meet with the government to put forward our position and obtain the necessary clarifications on the economic aspects.

At this stage, on the basis of the information available at the date of publication and of independent expert reports, we have not modified our position with respect to our vision of the power industry and, in particular, we consider that a nuclear power production will still be necessary to ensure the security of supply in Belgium beyond 2025.

Based on the above, we consider that these decisions do not have an impact on our consolidated financial statements and, in particular, the recoverable amount of the related depreciable assets and goodwill is still higher than their carrying amount.

In addition, within the framework of the 10-year inspection on Doel 3 which started on June 1, 2012, Electrabel performed tests in order to ensure that the reactor vessel is exempt from a certain types of defects (so-called "undercladding defects") which were in the past detected in the EDF nuclear plants of Tricastin and Fessenheim (France). The inspections in Doel 3 did not reveal any presence of undercladding defects, but other indications were found which could not be immediately justified. Experts have further investigated these indications and assume that these indications constitute so-called "hydrogen-related defects". Additional analyses are in progress and during these analyses plant operation is halted until an estimated date of December 1, 2012. The results of the analyses will be submitted to the Belgian FNCA (Federal Nuclear Control Agency). The reactor of Doel 3 will not restart operations without formal agreement by the FNCA.

The Tihange 2 reactor vessel, given its similar characteristics and fabrication origin, is currently undergoing a similar inspection as Doel 3. Indications of a nature identical to those found in Doel 3 were detected. Tests and analysis in progress will continue and will be presented to the competent authorities for a decision regarding restarting the plant.

Natural Gas Tariffs. Since July 1, 2012, GrDF has applied the ATRD4 tariff by the deliberations on February 28, 2012 by the ERC**,** applicable for a period of four years. The ATRD4 tariff represents an 8% increase as of July 1, 2012, compared to the prior ATRD3 tariff, and provides for yearly increase in rates by inflation +0.2%.

Also, from July 31, 2012 to September 21, 2012, the ERC sought public comments with respect to a new transmission tariff (ATRT5) which could be implemented as from April 1, 2013. LNG terminal tariffs are also expected to be renewed as of April 1, 2013.

Prospects

In line with our policy of providing shareholders a sustainable and competitive return, we have confirmed a stable or increased dividend for 2012 compared with 2011 assuming average weather conditions and a stable regulatory environment. On April 23, 2012, our shareholders' meeting resolved that a €1.50 dividend per share would be paid for 2011 and gave shareholders the choice as to whether the remaining €0.67 per share would be paid in cash or stock. The balance of the dividend was paid in May 2012. €341 million was paid in cash and €1,134 million was paid in stock. On October 25, 2012, GDF SUEZ will pay an interim dividend of €0.83/share for fiscal year 2012 whose ex-dividend date is set for September 25, 2012. In connection with financing for the buyout of International Power minority interests, GDF SUEZ shareholders exceptionally have the possibility of receiving this interim dividend in the form of shares. Our two largest shareholders have indicated that they will opt to receive this dividend in the form of shares.

For the second half of 2012, in an economic environment that promises to be difficult, we will pursue our action plan aimed at optimizing costs and Group performance, while maintaining our dynamic social policy in order to leverage the know-how of our employees.

We expect legislative developments in the autumn of 2012 regarding the Belgian government's declarations related to future of the nuclear sector, including the decision to closing of Doel 1 and Doel 2 (i.e. 866MW) at the end of the authorized period at presentin 2015 and the possible extension of the operating lifetime of Tihange 1 by ten years until 2015. See "—Regulation – Belgian Framework" above. To proceed with the prolongation of Tihange 1, for which we estimate a further cost of €600 million (Group share € 300 million), we require a clear and stable legal framework, allowing us to evaluate the economic profitability of such investment. Further, we estimate that the closing of Doel 1 and 2 could reduce net income before tax by approximately €100 million after 2015. Generally speaking, we have not, at this stage, changed our industrial vision on the sector and are waiting for the necessary precisions on the conditions of implementation.

Recent developments with respect to natural gas tariffs in France are also evolving and could impact our results of operations. Following the French *Conseil d'État's* cancellation of the tariff freeze from October 1, 2011 to January 1, 2012, as discussed above under "**—**Current Trading and Prospects – Significant Events Since June 30, 2012 –

French natural gas tariff freeze" we will be billing our customers an estimated €290 million, assuming average weather conditions and excluding invoicing costs or net present value adjustments, over a period permitting to reduce the impact of their purchasing power. The government's decision to limit the July increase to 2% is not enough to cover the supply costs of GDF SUEZ, as was pointed out by the French Energy Regulation Commission (CRE) in its July 17 proceedings.

Pursuant to the ministerial decree of September 26, 2012, an additional 2% increase was applied to regulated natural gas prices in France effective October 1st, 2012. However, we consider that these price changes will not enable us to cover all our natural gas supply costs and other costs.

Although we are pursuing our discussions with the government to establish a progressive tariff and expand the social welfare tariff to protect households in difficulty, the level of rate increase for future periods is subject to uncertainty.

We also are continuing our negotiations with our long-term natural gas suppliers with the continuing objective of maintaining the profitability of its gas supply activity.

Our investment portfolio anticipates gross capital expenditure of approximately €10-11 billion in FY 2012 (excluding our buyout of minority interests in International Power plc) and approximately €9-11 billion per year over 2013 – 2015. Excluding our buyout of minority interests in International Power plc, we had €4,709 billion in gross capital expenditure in HY 2012.

As of the date hereof, GDF SUEZ S.A. has a rating of A1/P-1 with negative outlook from Moody's and a A/A-1 with stable outlook rating from Standard & Poor's. A credit rating reflects an assessment by the rating agency of the credit risk associated with particular securities issued or guaranteed by us based on information provided by us and other sources. Credit ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets.

We believe that a corporate rating for us below the "A" category or its equivalents would limit our ability to operate efficiently in the international energy markets. Accordingly, we have established our financial policies and capital structure objectives in a manner that we believe would, under normal market conditions, ensure that we maintain ratings at or above "A". In particular, we plan to maintain net debt less than or equal to approximately 2.5 times our EBITDA, and seek to achieve this ratio for 2012, assuming average weather conditions, full pass through of natural gas supply costs in regulated gas tariffs in France and a stable regulatory environment, in part through the increase in the portfolio optimization program from €10 billion to €13 billion, as discussed above under "—Factors Affecting Results of Operations –Portfolio Optimization."

RESULTS OF OPERATIONS

Results of Operations for FY 2009, FY 2010 and FY 2011

Our Consolidated Results of Operations for FY 2009, FY 2010 and FY 2011

The table below sets forth our consolidated results of operations for FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Revenues	**90,673**	**84,478**	**79,908**
Purchases	(46,695)	(44,672)	(41,406)
Personnel costs	(12,775)	(11,755)	(11,365)
Depreciation, amortization and provisions	(7,115)	(5,899)	(5,183)
Other operating income and expenses, net	(15,110)	(13,356)	(13,607)
Current operating income	**8,978**	**8,795**	**8,347**
Mark-to-market on commodity contracts other than trading instruments	(105)	(106)	(323)
Impairment of property, plant and equipment, intangible assets and financial assets	(532)	(1,468)	(472)
Restructuring costs	(189)	(206)	(179)

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Changes in scope of consolidation	1,514	1,185	367
Other non-recurring items	18	1,297	434
Income from operating activities	**9,684**	**9,497**	**8,174**
Financial expenses	(3,383)	(2,810)	(2,638)
Financial income	778	589	1,010
Net financial loss	**(2,606)**	**(2,222)**	**(1,628)**
Income tax expense	(2,119)	(1,913)	(1,719)
Share in net income of associates	462	264	403
Net income	**5,420**	**5,626**	**5,230**
Net income share	4,003	4,616	4,477
Non-controlling interests	1,418	1,010	753
Earnings per share (€)	**1.8**	**2.1**	**2.0**
Diluted earnings per share (€)	**1.8**	**2.1**	**2.0**

The table below sets forth our revenues and a reconciliation between EBITDA and current operating income for FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	% change	FY 2010	FY 2009	% change
	(in millions of €)			(in millions of €)		
Revenues	**90,673**	**84,478**	**7.3%**	**84,478**	**79,908**	**5.7%**
EBITDA	**16,525**	**15,086**	**9.5%**	**15,086**	**14,012**	**7.7%**
Depreciation, amortization and provisions	(7,115)	(5,899)		(5,899)	(5,183)	
Net disbursements under concession contracts	(294)	(265)		(265)	(263)	
Share-based payment [(1)]	(138)	(126)		(126)	(218)	
Current operating income	**8,978**	**8,795**	**2.1%**	**8,795**	**8,347**	**5.4%**

(1) For a discussion of share-based payments, see Note 23 of our FY 2011 financial statements.

Revenues

FY 2011 compared with FY 2010. Our revenues for FY 2011 of €90,673 million were €6,195 million, or 7.3%, higher compared with FY 2010.

€4,488 million of the €6,195 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Exchange rate fluctuations had a negative €297 million impact, mainly related to fluctuations in the U.S. dollar. In addition, changes in the scope of our consolidation in FY 2010 had a net positive €4,785 million impact on our revenues between the periods as follows:

- Additions to the scope of consolidation in the year added €5,841 million to revenues, resulting mainly from the first-time consolidation of International Power plc (positive effect of €4,050 million), the reorganization of activities previously carried out by us in partnership with Acea in Italy, the full consolidation of Agbar by SUEZ Environnement, the first-time consolidation of Utilicom, ProEnergie and Thion-Ne Varietur in the services segment, and the acquisition of various gas storage facilities in Germany.

- Departures from the scope of consolidation had a negative impact of €1,056 million and essentially concerned the reorganization of our activities in Italy, and the sale by SUEZ Environnement of Adeslas and Bristol Water.

On an organic basis, revenues rose 2.1% in FY 2011 compared with revenues in FY 2010. All of our operating segments reported an increase in their revenue contribution on both a reported and organic basis, with the exception of Energy France, which experienced a significant fall in sales due mainly to particularly warm weather over the period as well as an unfavorable basis for comparison due to cold weather conditions in FY 2010. Revenue growth was powered by the Group's strong international expansion, the consolidation of International Power as from February 2011, an increase in Global Gas & LNG sales (particularly for Exploration & Production and LNG businesses) and an upbeat performance from SUEZ Environnement.

FY 2010 compared with FY 2009. Our revenues for FY 2010 of €84,478 million were €4,570 million, or 5.7%, higher compared with FY 2009.

€1,908 million of the €4,570 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Exchange rate fluctuations had a positive €1,136 million impact, mainly related to the appreciation in the U.S. dollar, Brazilian real and pound sterling against the Euro. In addition, changes in the scope of consolidation in FY 2010 had a net positive €772 million impact on our revenues between the periods as follows:

- Additions to the scope of consolidation in the year added €1,722 million to revenues, mainly in Energy Europe & International (controlling interests acquired in the Astoria 1 power plant in North America and in electricity and gas businesses in Chile) and SUEZ Environnement (controlling interests acquired in Agbar and cross-holdings acquired in water management companies in France).
- Departures from the scope of consolidation had a negative impact of €950 million and essentially concerned Energy Services (Restiani) and SUEZ Environnement (disposal of cross-holdings in water management companies in France and of Adeslas, Agbar's health business).

On an organic basis, revenues rose 3.3% in FY 2010 compared with revenues in FY 2009, with revenue declines in the Global Gas & LNG and Energy Services operating segments being more than offset by revenue growth from our other operating segments, powered by the commissioning of new facilities and more favorable weather conditions. The revenue declines from Global Gas & LNG and Energy Services were primarily due to a reduction in short-term gas sales and sales to European Key Accounts, and a fall-off in installations activities outside France, respectively.

EBITDA

FY 2011 compared with FY 2010. Our EBITDA for FY 2011 of €16,525 million was €1,439 million, or 9.5%, higher compared with FY 2010.

Changes in the scope of consolidation had a net positive impact of €1,528 million on EBITDA as follows: additions to the scope of consolidation added €1,644 million to EBITDA and chiefly concerned the transactions described in *Energy Europe & International – International Power* (including €1,263 million related to International Power plc and Hidd Power company), SUEZ Environnement, Energy Services and Infrastructures operating segments, while departures from the scope of consolidation had a negative €116 million impact on EBITDA and related mainly to the impacts of the sale of assets discussed above under – Revenues. Exchange rate fluctuations had a further €52 million net negative impact on EBITDA.

On an organic basis, EBITDA decreased €38 million, or 0.3%, in FY 2011 compared with FY 2010. This decrease on an organic basis reflected principally a sharp fall in EBITDA from Energy France as well as lesser declines from Energy Europe and Infrastructures having been somewhat offset by significant growth in EBITDA from our Global Gas & LNG and International Power operating segments.

FY 2010 compared with FY 2009. Our EBITDA for FY 2010 of €15,086 million was €1,074 million, or 7.7%, higher compared with FY 2009.

€737 million of the €1,074 million increase in EBITDA reflected changes in the scope of our consolidation and exchange rates. Exchange rate impacts totaling €339 million reflected the same factors as those described above for revenues. Changes in the scope of consolidation had a net positive impact of €398 million on EBITDA as follows: additions to the scope of consolidation added €556 million to EBITDA and chiefly concerned the transactions described above in Energy Europe & International and SUEZ Environnement, while departures from the scope of consolidation had a negative €158 million impact on EBITDA and related mainly to the impacts of the sale of assets to E.ON (Energy Europe & International) and the sale of Adeslas (SUEZ Environnement).

On an organic basis, EBITDA climbed €338 million, or 2.4%, in FY 2010 compared with FY 2009. This increase on an organic basis reflected principally significant growth from Energy France as a result of higher volumes, favorable weather conditions and a new public service contract as well as growth in other operating segments, which, together, more than offset a drop in EBITDA from Global Gas & LNG due to a difficult gas market in FY 2010 and unfavorable basis of comparison (FY 2009 results were higher due to certain non-recurring items).

Current Operating Income

FY 2011 compared with FY 2010. Our current operating income for FY 2011 of €8,978 million was €183 million, or 2.1%, higher compared with FY 2011. On an organic basis, current operating income fell 6.8% compared with current operating income in FY 2010. This reflects higher net depreciation/amortization expenses and charges to provisions as a result of facilities commissioned in the period. Depreciation and amortization expenses also included the one-off negative €117 million mark-to-market impact arising on the consolidation of International Power plc.

FY 2010 compared with FY 2009. Our current operating income for FY 2010 of €8,795 million was €448 million, or 5.4%, higher compared with FY 2009. Our current operating income underperformed our EBITDA, due to the increase in net depreciation, amortization and provision expense as a result of companies entering the scope of consolidation and the commissioning of new facilities during the period. On an organic basis, current operating income edged up 0.6% compared with current operating income in FY 2009.

Income from Operating Activities

FY 2011 compared with FY 2010. Our income from operating activities for FY 2011 of €9,684 million was €187 million, or 2%, higher compared with FY 2010 principally due to higher current operating income as a result of the foregoing as well as changes in scope of consolidation (gains and losses on the disposal of consolidated equity interests or on measurement of previously held interests recognized with IFRS 3) and significantly lower impairment charges more than offsetting significantly lower levels of other non-recurring items.

Changes in the fair value of commodity hedging instruments had a negative €105 million impact on income from operating activities (reflecting the impact of transactions not eligible for hedge accounting), compared with a negative impact of €106 million in FY 2010. This results primarily from (i) changes in the fair value of electricity and natural gas sale and purchase contracts and financial instruments used as economic hedges but not eligible for hedge accounting, resulting in a net loss of €125 million (net loss of €139 million in FY 2010) which is mainly due to a negative price effect related to changes in the forward prices of the underlying commodities during the period partly offset by the positive impact of the settlement of positions with a negative market value at December 31, 2010; and (ii) the ineffective portion of cash flow hedges of non-financial assets, representing a gain of €20 million (compared to a gain of €33 million in FY 2010).

Asset impairment losses totaled €532 million (€1,468 million in FY 2010), due principally to power production assets in Spain and the Energy Europe operating segments (€120 million) and the United States in the International Power operating segment (€86 million), goodwill relating to Energy-Southern Europe CGU, in light of Greece's current economic situation and the uncertainty regarding the medium to long-term conditions of this market (€61 million) and financial assets (€184 million net).

Our restructuring costs for FY 2011 of €189 million were €17 million, or 8.3%, lower compared with FY 2010, linked mainly the International Power operating segment costs relating to the implementation of the combination and operating synergies and also costs incurred to adapt to economic conditions in the United States (€88 million) and costs incurred in the SUEZ Environnement (€40 million) and Energy Services (€37 million) operating segments.

Changes in scope of consolidation totaled €1,514 million, which was €329 million higher compared with FY 2010. This increase primarily reflects capital gains on the disposal of shares in GDF SUEZ LNG Liquefaction (€479 million), EFOG (€355 million), Noverco (€28 million) and Bristol Water (€88 million), capital losses on the disposal of G6 Rete Gas (€38 million), and a €108 million capital gain on the disposal of a portion of the share capital of the inter-municipal companies in the Walloon region. This item also includes the positive impact of remeasuring at fair value the previously-held equity interests in the Flemish intermunicipal companies (€425 million) following the loss of significant influence and the recognition of these shares as "available-for-sale securities".

Other non-recurring items totaled €18 million in FY 2011 (€1,297 million in FY 2010), and include mainly €33 million in capital gains on the disposal of a building in the SUEZ Environnement operating segment. The other items included in this caption are not material taken individually.

FY 2010 compared with FY 2009. Our income from operating activities for FY 2010 of €9,497 million was €1,323 million, or 16.2%, higher compared with FY 2009 principally due to higher current operating income as a result of the foregoing as well as changes in the scope of consolidation and high levels of other non-recurring items (reflecting, in particular, a €1,141 million write-back from the provision for dismantling gas infrastructures in France) more than offsetting significant impairment charges in FY 2010.

Changes in the fair value of commodity hedging instruments had a negative €106 million impact on income from operating activities (reflecting the impact of transactions not eligible for hedge accounting), compared with a negative impact of €323 million in FY 2009. The impact in FY 2010 resulted primarily from unwinding positions that had a positive market value at the end of FY 2009. The negative impact is offset in part by (i) the positive impact of the depreciation of the euro against the US dollar and pound sterling on currency hedges taken out in respect of foreign currency coal and gas purchase contracts, and (ii) the broadly positive price effect resulting from changes in the price of the underlying commodities.

Asset impairment losses totaled €1,468 million in FY 2010 (€472 million in FY 2009), due principally to the de-correlation between gas and oil prices (€548 million), goodwill relating to a gas distribution company in Turkey (€134 million), certain assets in Spain within the Energy Europe business area (€157 million), and the Infrastructure operating segment's gas transportation activities in Germany (€175 million). Asset impairment losses in FY 2009 related mainly to exploration licenses (€179 million), the abandoned project to build a second coal power station at Brunsbüttel-Stade in Germany (€113 million), and the mark-to-market of listed non-consolidated investments.

Our restructuring costs for FY 2010 of €206 million were €27 million, or 15.1%, higher compared with FY 2009, linked mainly to measures taken in response to the economic conditions at SUEZ Environnement (€83 million) and Energy Services (€86 million). This item also includes the costs of regrouping sites in Brussels (€16 million).

Changes in scope of consolidation totaling €1,185 million were €818 million higher compared with FY 2009. This increase primarily reflects capital gains on the sale of Fluxys (€422 million) and Elia (€238 million). This item also includes the impact of the controlling interests acquired by us in Chilean electricity businesses (€167 million) and in Hisusa/Agbar (€167 million), as well as the unwinding of cross-holdings held by SUEZ Environnement and Veolia in water management companies in France (€201 million).

Other non-recurring items totaled €1,297 million in FY 2010 (€434 million in FY 2009), and include mainly a €1,141 million write-back from the provision for dismantling gas infrastructures in France (Transportation and Distribution). This provision was meant to cover obligations to secure distribution and transportation networks at the end of their operating lives, which are estimated based on known global gas reserves. We revised the timing of our legal obligations in FY 2010 to reflect recent studies of gas reserves. Based on the publication of the International Energy Agency, which, on the basis of current production levels, estimated that proven and probable gas reserves were assured for another 250 years, the discounting of these provisions over such a long period results in a present value of virtually zero. These dismantling provisions had been recognized in FY 2008 in connection with the SUEZ-Gaz de France business combination, but with no matching entry in assets due to their nature. Accordingly, the provision for dismantling gas infrastructures in France was written back in quasi full through income.

Net Financial Loss

FY 2011 compared with FY 2010. Our net financial loss for FY 2011 of €2,606 million was €384 million, or 17.3%, higher compared with FY 2011, which was principally due to a rise in the cost of net debt due to volume effects on gross debt following the acquisition of International Power plc.

FY 2010 compared with FY 2009. Our net financial loss for FY 2010 of €2,222 million was €594 million, or 36.5%, higher compared with FY 2009, which was principally due to a rise in interest expense on our net debt, chiefly attributable to the volume impact resulting from the increase in average net debt as well as adverse changes in the fair value of derivatives (not eligible for hedge accounting) related to gross debt, against a backdrop of falling interest rates.

Net Income

FY 2011 compared with FY 2010. Our net income for FY 2011 of €5,420 million was €206 million, or 3.7%, lower compared with FY 2010, principally as a result of the foregoing, which was partially offset by increased income tax expense and increased net income from associates. The effective tax rate adjusted for disposal gains and losses and non-deductible asset impairment charges was 35.3% in FY 2011 compared with 31.3% in FY 2010. The rise in the effective tax rate between the periods was primarily due to the rise in the proportion of earnings in highly taxed jurisdictions and particularly in the E&P sector, where the tax rate is above 50% (including the end-March 2011 increase in the tax rate for E&P activities in the United Kingdom from 50% to 62%).

FY 2010 compared with FY 2009. Our net income for FY 2010 of €5,626 million was €396 million, or 7.6%, higher compared with FY 2009, principally as a result of the foregoing, which was partially offset by increased income tax expense and decreased net income from associates. The effective tax rate adjusted for disposal gains was 33.1% in FY 2010 compared with 29.9% in FY 2009. The rise in the effective tax rate between the periods was primarily due to the reorganization of engineering businesses in the Energy Services operating segment, which had led to the recognition in FY 2009 of a deferred tax asset totaling €118 million. No such deferred tax asset was recorded in FY 2010. Share in net income of associates fell €139 million between the periods, due chiefly to a decline in contributions from various entities that were sold during the year (chiefly Fluxys and Elia).

Segmental Results of Operations for FY 2009, FY 2010 and FY 2011

For a description of our operating segments, see "—Segment Reporting" above.

The table below sets forth the breakdown of our revenues for each of our business lines for FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	13,566	14,982	13,954
Energy Europe & International (*)	36,656	31,770	28,350
Global Gas & LNG	9,936	9,173	10,657
Infrastructures	1,491	1,203	1,043
Energy Services	14,206	13,486	13,621
SUEZ Environnement	14,819	13,863	12,283
Other	0	0	0
Revenues	**90,673**	**84,478**	**79,908**

The table below sets forth the breakdown of our EBITDA for each of our business lines in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	505	1,023	366
Energy Europe & International (*)	7,453	5,831	5,027
Global Gas & LNG	2,386	2,080	2,864
Infrastructures	2,991	3,223	3,026
Energy Services	1,005	923	921
SUEZ Environnement	2,513	2,339	2,060
Other	(328)	(332)	(253)
EBITDA	**16,525**	**15,086**	**14,012**

The table below sets forth the breakdown of our current operating income for each of our business lines in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	70	646	288
Energy Europe & International (*)	4,775	3,937	3,534
Global Gas & LNG	1,164	961	1,450
Infrastructures	1,793	2,071	1,947

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy Services	655	598	598
SUEZ Environnement	1,039	1,025	926
Other	(518)	(443)	(395)
Total current operating income	**8,978**	**8,795**	**8,347**

(*) For a description of certain changes to our operating segments during the period FY 2009 – FY 2011 impacting the Energy Europe & International activities, see "—Segment Reporting" above.

Energy France

The table below sets forth the revenues, EBITDA and current operating income for our Energy France operating segment in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	% change (reported basis)	FY 2010	FY 2009	% change (reported basis)
	(in millions of €)			(in millions of €)		
Revenues	**13,566**	**14,982**	**(9.5)%**	**14,982**	**13,954**	**7.4%**
EBITDA (A)	**505**	**1,023**	**(50.7)%**	**1,023**	**366**	**179.3%**
Depreciation, amortization and provisions (B)	(430)	(374)		(374)	(75)	
Share-based payment (C)	(5)	(3)		(3)	(4)	
Current operating income = A + B + C	**70**	**646**	**(89.2)%**	**646**	**288**	**124.2%**

Revenues

FY 2011 compared with FY 2010. Revenues for Energy France for FY 2011 of €13,566 million were €1,416 million, or 9.5% lower compared with FY 2010, on both reported and organic bases.

Sales of natural gas totaled 219.2 TWh, down 25% compared with FY 2010, due mainly to different weather conditions in the two periods. We continued to hold around 88% of the retail market for the supply of natural gas based on the number of customers and around 65% of the business market in FY 2011 based on TWh.

Electricity sales climbed 13% year-on-year to 41.2 TWh, due mainly to growth in sales to direct customers. FY 2011 electricity production dropped 8% due to exceptionally poor hydro conditions, offset by the Combigolfe and Montoir-de-Bretagne thermal power plants commissioned in 2010 and by the development of wind farms.

Year-on-year trends also reflected price movements in the period. The decline in gas volumes sold was partially offset by the rise in electricity prices and volumes as well as the increase in gas tariffs, although this did not reflect the entire rise in supply costs.

FY 2010 compared with FY 2009. Revenues for Energy France for FY 2010 of €14,982 million were €1,028 million, or 7.4% higher compared with FY 2009. €19 million of the €1,028 million increase in revenues reflected changes in the scope of consolidation resulting from the consolidation of companies (Poweo, Ciepiela & Bertranuc, Panosol, agenda service subsidiaries) acquired in the Housing Services sub-segment. On an organic basis, revenues increased 7.2% in FY 2010 compared with revenues in FY 2009.

Sales of natural gas totaled 292 TWh, up 6.7% (18.3 TWh) compared with FY2009, due mainly to particularly harsh weather conditions in FY 2010. Based on average weather conditions, natural gas sales retreated 11.7 TWh on the back of market trends (decline in unit consumption) and fierce competition. Nevertheless, we continued to hold around 90% of the retail market for the supply of natural gas based on the number of customers and around 73% of the business market in FY 2010 based on TWh.

Electricity sales climbed 7% year-on-year to 36.5 TWh, due mainly to growth in the retail portfolio, which had 939,000 customers at the end of FY 2010, a rise of 214,000 over the year. There were a total of 1.14 million retail and business sites in France at the end of FY 2010. FY 2010 electricity production (32.7 TWh) rose 11.2%, thanks to better hydro conditions than in FY 2009, the expansion of combined cycle gas turbines (commissioning of the 435MW Combigolfe facility in Fos in summer 2010, delivery of the 435 MW Montoir-de-Bretagne facility in

November 2010) and the start-up of 324 MW in wind farms, bringing installed capacity up to 922 MW at the end of the year.

Revenues based on average weather conditions (based on a rolling average of the daily weather conditions in France in each period over the last 100 years) for the period were virtually flat, with a decline in natural gas sales based on average temperatures offset by a growth in sales of electricity. Year-on-year trends also reflected price movements in the period, with a reduction in gas prices introduced in April 2009 (impacting first-quarter 2010 sales) offset by the rises in public distribution tariffs between April 1 and July 1, 2010.

EBITDA

FY 2011 compared with FY 2010. EBITDA for Energy France for FY 2011 of €505 million was €518 million, or 50.7%, lower compared with FY 2010, due to the combined impact of sharp differences in weather conditions, which had a negative impact of 56 TWh on gas sales and almost 4.5 TWh on electricity production (hydro conditions) an additional gas tariff shortfall, which had a negative impact of €395 million, and partially offset by a positive price effect, owing to the hedging transactions put in place (especially sales hedged at high 2008 prices).

FY 2010 compared with FY 2009. EBITDA for Energy France for FY 2010 of €1,023 million was €657 million, or 179.3%, higher compared with FY 2009, which was principally due to growth in volumes of gas sales (weather conditions), the development of the electricity business (production and sales), and the implementation of the new public service contracts.

Current operating income

FY 2011 compared with FY 2010. Current operating income for Energy France for FY 2011 of €70 million was €576 million, or 89.2%, lower compared with FY 2010 due principally to the foregoing. Current operating income was also affected by a rise in depreciation and amortization expenses due to the commissioning of new wind farm and power plant assets.

FY 2010 compared with FY 2009. Current operating income for Energy France for FY 2010 of €646 million was €358 million, or 124.2%, higher compared with FY 2009. This increase was lower than EBITDA growth, due mainly to depreciation and amortization charged against the fair value of assets and liabilities recognized as part of the business combination of Gaz de France and SUEZ.

Energy Europe & International (Business line)

Changes in segment Reporting

Prior to the consolidation of International Power plc in FY 2011, we presented our historical operations which became part of the International Power operating segment as three separate geographical segments of Energy Europe & International activities: North America, Latin America and Middle East, Asia & Africa. Also, in FY 2011, we transferred assets in the United Kingdom and gas distribution activities in Turkey to the International Power operating segment – these were previously presented within the Energy Europe segment.

Except as otherwise indicated, we have restated the FY 2010 segmental information to present our operating segments with respect to discussions comparing FY 2011 to FY 2010. However, for FY 2009 and for purposes of discussions comparing FY 2010 to FY 2009, we present the prior segmental information as it relates to the Energy Europe & International activities.

The tables below set forth the revenues, EBITDA and current operating income for the operating segments composing our Energy Europe & International activities in FY 2011 and FY 2010 (based on our segmentation as of December 31, 2011):

	FY 2011				FY 2010				
	Benelux & Germany	*Europe*	*International Power*	*Energy* Europe and International*	*Benelux & Germany*	*Europe*	*International Power*	*Energy* Europe & International*	% change (reported basis)
	(in millions of €)				(in millions of €)				
Revenues	**13,901**	**7,001**	**15,754**	**36,656**	**14,257**	**6,491**	**11,022**	**31,770**	**15.4%**
EBITDA (A)	**2,216**	**1,061**	**4,225**	**7,453**	**2,272**	**1,053**	**2,534**	**5,831**	**27.8%**
Depreciation, amortization and provisions (B)	(737)	(459)	(1,470)	(2,666)	(610)	(447)	(827)	**(1,884)**	
Share-based payment (C)	(9)	(3)	(1)	(12)	(6)	(1)	(3)	**(10)**	
Current operating income = A + B + C	**1,471**	**600**	**2,754**	**4,775**	**1,657**	**604**	**1,704**	**3,937**	**21.3%**

* A portion of these costs relating to headquarters has not been allocated.

The tables below set forth the revenues, EBITDA and current operating income for the operating segments composing our Energy Europe & International activities in FY 2010 and FY 2009 (based on our prior segmentation):

	FY 2010						FY 2009						
	Benelux & Germany	*Europe*	*North America*	*Latin America*	*ME, Asia & Africa*	Total*: Energy Europe & International	*Benelux & Germany*	*Europe*	*North America*	*Latin America*	*ME, Asia & Africa*	Total*: Energy Europe & International	% change
	(in millions of €)						(in millions of €)						
Revenues	**14,257**	**8,084**	**4,215**	**3,208**	**2,007**	**31,770**	**13,204**	**7,746**	**3,877**	**2,012**	**1,510**	**28,350**	**12.1%**
EBITDA (A)	**2,272**	**1,163**	**617**	**1,475**	**406**	**5,831**	**2,123**	**1,011**	**657**	**1,026**	**286**	**5,027**	**16.0%**
Depreciation, amortization and provisions (B)	(610)	(515)	(319)	(349)	(88)	(1,884)	(536)	(429)	(228)	(191)	(88)	**(1,471)**	
Net disbursements under concession contracts/ share-based payment (C)	(6)	(2)				(10)	(12)	(2)				**(22)**	
Current operating income = A + B + C	**1,657**	**646**	**298**	**1,126**	**317**	**3,937**	**1,574**	**581**	**429**	**835**	**197**	**3,534**	**11.4%**

* A portion of these costs relating to headquarters has not been allocated.

Energy Benelux & Germany

The table below sets forth the revenues, EBITDA and current operating income for Energy Benelux & Germany operating segment in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	% change	FY 2010	FY 2009	% change
	(in millions of €)			(in millions of €)		
Revenues	**13,901**	**14,257**	**(2.5)%**	**14,257**	**13,204**	**8%**
EBITDA (A)	**2,216**	**2,272**	**(2.5)%**	**2,272**	**2,123**	**7%**
Depreciation, amortization and provisions (B)	**(737)**	(610)		(610)	(536)	
Share-based payment (C)	**(9)**	(6)		(6)	(12)	
Current operating income = A + B + C	**1,471**	**1,657**	**(11.2)%**	**1,657**	**1,574**	**5.3%**

Revenues

FY 2011 compared with FY 2010. Revenues for Energy Benelux & Germany for FY 2011 of €13,901 million were €356 million, or 2.5%, lower compared with FY 2010, on both reported and organic bases.

Electricity volumes sold dropped 8.3% to 120.4 TWh, while revenues fell back €557 million on 2010. Performances contrasted sharply across the region: volumes tumbled in Belgium and Luxembourg, fell slightly in the Netherlands, and remained stable in Germany. In Belgium and Luxembourg, the volume downturn – concerning chiefly sales to business customers – was almost entirely offset by an increase in sales prices as higher transportation and distribution network costs were passed on to these customers. In the Netherlands, revenues retreated €187 million, or 12.2%, hit by the fall in volumes and in average sales prices across all customer segments. In Germany, the €40 million (3.1%) increase in sales was primarily attributable to the rise in average prices across all segments. Outside the Benelux & Germany region, sales were down 4.0 TWh and represented just €649 million.

Revenues from gas sales slipped 1.6%, with a 7.9 TWh (8.8%) drop in volumes sold. The downturn in volumes was partly offset by the increase in sales prices in line with market developments, particularly in Belgium. Milder weather conditions in 2011 accounted for 11.6 TWh of the volume decline.

FY 2010 compared with FY 2009. Revenues for Energy Benelux & Germany for FY 2010 of €14,258 million were €1,054 million, or 8%, higher compared with FY 2009. €32 million of the €1,054 million increase in revenues reflected changes in the scope of consolidation (sale to SPE of a proportion of nuclear capacity under the Pax Electrica II agreement in Belgium, and the proportionate consolidation of Stadtwerke Gera in Germany). On an organic basis, revenues increased 7.7% in FY 2010 compared with revenues in FY 2009, principally as a result of increases in electricity and natural gas sale volumes.

Electricity volumes sold climbed 10.7% to 131 TWh, while revenues from the sale of electricity rose €707 million in FY 2010 compared with FY 2009. In Belgium and Luxembourg, total volumes sold edged up 1.2 TWh, or 1.7%, representing a positive €79 million (1.2%) impact on revenues. Belgian Key Account sales were on an uptrend after the economic slowdown observed in FY 2009 (up 2.5 TWh); sales to other business customers fell 2.2 TWh, due mainly to the decline in volumes sold to public authorities (down 0.5 TWh) and resellers (down 1.1 TWh). This decline was partially offset by the 0.6 TWh increase in sales to small and medium-sized businesses; sales to Enovos in Luxembourg contracted sharply in the resellers segment (down 1 TWh), but remained stable for major industrial customers. Electricity sales in the Netherlands rose €142 million, or 1.7 TWh: this increase was due solely to the wholesale market, which gained €314 million, or 3.5 TWh; revenues generated with business customers fell €168 million, squeezed by a drop in sales prices and a 1.8 TWh decline in volumes. Electricity sales in Germany rose €399 million, or 8 TWh. This increase was partly attributable to the proportionate consolidation of Stadtwerke Gera (positive impact of €30 million). The organic growth in revenues was driven by the 8.6 TWh rise in sales on the wholesale market and by the power capacity swap with E.ON. Revenues generated with major industrial customers dropped €79 million following the loss of several big clients while the €68 million fall in sales in the resellers segment is a result of a more selective sales policy. Sales outside the Benelux & Germany region advanced €121 million, or 15.1%, on the back of a 13.7% (1.8 TWh) rise in volumes. Sales outside Benelux and Germany generated €919 million in revenues, mostly from sales on the wholesale market in France, the United Kingdom, Poland and Hungary.

Revenues from gas sales surged 15.5% on the back of a strong 19% (14.4 TWh) upturn in volumes. Besides this upturn which was particularly strong for the volumes sold in Belgium (+10.2TWh) and the volumes sold to business customers in The Netherlands and Germany (+3.4TWh)), prices fall across virtually all segments.

EBITDA

FY 2011 compared with FY 2010. EBITDA for Energy Benelux & Germany for FY 2011 of €2,216 million was €56 million, or 2.5%, lower compared with FY 2010.

On an organic basis, EBITDA dropped 0.5% in FY 2011 compared with FY 2010. The business area was boosted by the full-year impact of the new Maxima plant in the Netherlands, commissioned in October 2010. Despite an improved performance from the European portfolio, the energy margin in Belgium was squeezed by falling power prices on the market. Sales of gas fell sharply, hit by adverse weather conditions and ongoing operating cost cutting efforts within the business area helped counter these factors to some extent.

FY 2010 compared with FY 2009. EBITDA for Energy Benelux & Germany for FY 2010 of €2,272 million was €149 million, or 7%, higher compared with FY 2009. Changes in the scope of consolidation (including the sale to SPE of 250 MW in nuclear capacity, the power capacity swap with E.ON, and the proportionate consolidation of Stadtwerke Gera) as well as in exchange rates had a negative impact on EBITDA of €6 million.

On an organic basis, EBITDA increased 7.3% in FY 2010 compared with FY 2009. EBITDA growth reflected both non-recurring items in Belgium and Luxembourg, a fall in operating costs, and a rise in gas sales spurred by cold winter weather. The net positive impact of new facilities commissioned totaled €101 million, relating mainly to the new Maxima unit in the Netherlands and the Knippegroen (Sidmar) plant in Belgium. These impacts were partially offset by a fall in margins compared with FY 2009.

Current operating income

FY 2011 compared with FY 2010. Current operating income for Energy Benelux & Germany for FY 2011 of €1,471 million was €186 million, or 11.2%, lower compared with FY 2010, on both reported and organic bases. In addition to the foregoing, current operating income was affected by higher depreciation and amortization expenses resulting from the early closure of plants in Belgium and the Netherlands, the commissioning of the Maxima and Gelderland (biomass) power plants, and of the assets acquired from E.ON.

FY 2010 compared with FY 2009. Current operating income for Energy Benelux & Germany for FY 2010 of €1,657 million was €83 million, or 5.3%, higher compared with FY 2009. This increase reflects lower impairment charges on doubtful receivables as well as EBITDA growth, and is partially offset by higher year-on-year depreciation charges as a result of (i) assets commissioned in FY 2009 and FY 2010, and (ii) the adjustment to the dismantling asset further to the report on nuclear provisions introduced by the Nuclear Provisions Committee.

Energy Europe

The table below sets forth the revenues, EBITDA and current operating income for Energy Europe operating segment in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	% change (reported basis)	FY 2010(1)	FY 2009	% change (reported basis)
	(in millions of €)			(in millions of €)		
Revenues	**7,001**	**6,491**	**7.8%**	**8,084**	**7,746**	**4.4%**
EBITDA (A)	**1,061**	**1,053**	**0.8%**	**1,163**	**1,011**	**1.5%**
Depreciation, amortization and provisions (B)	(459)	(447)		(515)	(429)	
Share-based payment (C)	(3)	(1)		(2)	(2)	
Current operating income = A + B + C	**600**	**604**	**0.7%**	**646**	**581**	**11.2%**

(1) For purposes of this column, for FY 2010, we present the prior segmental information. In FY 2011, we transferred assets in the United Kingdom and gas distribution activities in Turkey to the International Power operating segment. These were previously presented within Energy Europe segment. See " – Energy Europe & International – Changes in segment Reporting."

Revenues

FY 2011 compared with FY 2010. Revenues for Energy Europe for FY 2011 of €7,001 million were €510 million, or 7.8%, higher compared with FY 2010. Changes in exchange rates had a negative €28 million impact. Changes in the scope of consolidation represented a positive impact of €211 million on revenues, and were mainly linked to the reorganization of activities in Italy previously carried out by us in partnership with Acea. On an organic basis, revenues increased 5.5% (€327 million) in FY 2011 compared with revenues in FY 2010, reflecting changes in:

- the Italy and Greece region (up €459 million), which was boosted by development plans resulting in the commissioning of the Héron 2 power plant in Greece in August 2010, and by an increase in the number of customers for its sales operations in Italy. Amid tough market conditions, revenues were also boosted by a rise in regulated electricity tariffs and growth in Virtual Power Plant (VPP) sales;

- Spain and Portugal (down €215 million), which reported a significant 4.3 TWh decline in electricity production on the back of unfavorable spark spreads;

- Central and Eastern Europe, which posted an €83 million increase in revenues. Gas operations were buoyed by price increases, which in some countries only partially reflected higher costs, and by a rise in volumes sold and distributed in Romania (up 3.7 TWh).

FY 2010 compared with FY 2009. Revenues for Energy Europe for FY 2010 of €8,084 million were €338 million, or 4.4%, higher compared with FY 2009. Changes in exchange rates had a positive €66 million impact on revenues in Central and Eastern Europe, and a positive impact of €54 million in the United Kingdom. Changes in the scope of consolidation were not material during the period. On an organic basis, revenues increased 2.82% (€212 million) in FY 2010 compared with revenues in FY 2009, reflecting changes in:

- Western Europe (up €56 million), where the sales strategy launched in FY 2009 in the United Kingdom led to a 3.8 TWh reduction in gas volumes sold and a stronger focus on high value-added markets. Electricity volumes sold rose 2.2 TWh. In Spain and Portugal, sales of electricity on ancillary markets capitalized on higher prices, but were affected by a 20% slump in volumes as a result of a drop in Spanish market spreads due to a higher production of renewables. Sales of electricity by CCGT benefitted from higher prices as a result of its participation in the ancillary market;

- Italy (up €221 million), which saw a sharp rise in volumes sold for both electricity (up 1.2 TWh) and natural gas (up 2.5 TWh), amidst efforts by the regulator to hold back tariff increases;

- Central and Eastern Europe (down €77 million), where revenue growth in Slovakia and Romania driven by the 5.4 TWh rise in volumes sold and 2 TWh rise in volumes distributed was more than offset by a fall-off in volumes sold in Hungary (down 0.7 TWh) and Turkey (down 2.3 TWh), as well as by lower sales prices in Poland.

EBITDA

FY 2011 compared with FY 2010. EBITDA for Energy Europe for FY 2011 of €1,061 million was €8 million, or 0.8%, higher compared with FY 2010. Changes in the scope of consolidation as well as in exchange rates had a negative €50 million impact on EBITDA. On an organic basis, EBITDA decreased 4.3% (€42 million) in FY 2011 compared with FY 2010, which is principally due to the following:

- negative organic EBITDA growth of €24 million in Central and Eastern Europe, due chiefly to the slowdown in gas sales activities in Romania, hit by the squeeze on supply costs, local coal supply disruptions in Poland and a fall in volumes of ancillary services in Hungary. The decline was partly offset by better gas procurement conditions in Slovakia as a result of the renegotiation of a major supply agreement;

- an €18 million rise in EBITDA on an organic basis for Italy and Greece region, despite tough market conditions, powered by growth in sales activities, a rise in regulated tariffs, and the contribution from the Héron 2 power plant;

- a fall of €59 million in EBITDA for Spain and Portugal, chiefly reflecting strong comparative data (2010 was boosted by non-recurring indemnities received in respect of a power plant under construction) and a significant negative volume impact.

FY 2010 compared with FY 2009. EBITDA for Energy Europe for FY 2010 of €1,163 million was €152 million, or 15%, higher compared with FY 2009. €20 million of the increase in EBITDA reflected changes in the scope of consolidation as well as in exchange rates. On an organic basis, EBITDA increased 12.8% (€132 million) in FY 2010 compared with FY 2009, which is principally due to the following:

- Western Europe had organic EBITDA growth of €72 million. The growth momentum was led by Spain and Portugal, which turned in a good performance driven by better prices captured on secondary markets, improved sales conditions on wind farms, and the collection of one-off indemnities relating to the construction of a facility commissioned in 2006. Organic EBITDA growth for the United Kingdom came in at 17.4%, powered by a good performance from sales businesses;

- Italy delivered organic EBITDA growth of €78 million, boosted by the commissioning of new facilities (Windco), higher availability rates at several plants, and a good performance from all of its other activities, led chiefly by the development of sales businesses;

- Central and Eastern Europe reported negative organic EBITDA growth of €29 million, owing mainly to adverse price effects in the gas sales businesses in Slovakia and Romania. Hungary reported an improvement thanks to the performance of its electricity services and the introduction of a pricing formula which had a positive impact on the first two quarters of FY 2010.

Current operating income

<u>*FY 2011 compared with FY 2010*</u>. Current operating income for Energy Europe for FY 2011 of €600 million was €4 million, or 0.7%, lower compared with FY 2010. On an organic basis, current operating income decreased 12.0% in FY 2011 to €600 million compared with current operating income in FY 2010. The downward trend was principally driven by the same factors as those described above for EBITDA.

<u>*FY 2010 compared with FY 2009*</u>. Current operating income for Energy Europe for FY 2010 of €646 million was €65 million, or 11.2%, higher compared with FY 2009. €15 million of the increase in current operating income reflected changes in the scope of consolidation as well as in exchange rates. On an organic basis, current operating income increased 8.6% in FY 2010 compared with current operating income in FY 2009. Growth in current operating income underperformed EBITDA growth, due mainly to higher depreciation and amortization charges in the United Kingdom and Italy – chiefly on account of the commissioning of new facilities.

International Power

Changes in segment Reporting

Prior to the consolidation of International Power plc in FY 2011, we presented our historical operations which became part of International Power as three separate geographical segments of the Energy Europe & International business activities: North America, Latin America and Middle East, Asia & Africa. Also, in FY 2011, we transferred assets in the United Kingdom and gas distribution activities in Turkey to the International Power operating segment – these were previously presented within the Energy Europe segment.

Except as otherwise indicated, we have restated the FY 2010 segmental information to present our operating segments as of December 31, 2011 with respect to discussions comparing FY 2011 to FY 2010.

However, for FY 2009 and for purposes of discussions comparing FY 2010 to FY 2009, we present the prior segmental information as it relates to the Energy Europe and Energy International businesses, which became part of International Power in 2011.

<u>*FY 2011 compared with FY 2010*</u>. The table below sets forth the revenues, EBITDA and current operating income for the International Power operating sub-segment in FY 2011 and FY 2010 (based on our segmentation as of December 31, 2011):

	Dec. 31, 2011							Dec. 31, 2010							
Group contributions	**Latin America**	**North America**	**Europe IP**	**META**	**Asia**	**Australia**	**International Power**	**Latin America**	**North America**	**Europe IP**	**META**	**Asia**	**Australia**	**International Power**	**% change (reported basis)**
	(in millions of €)							(in millions of €)							
Revenues	**3,694**	**4,830**	**3,410**	**1,175**	**1,764**	**877**	**15,754**	**3,208**	**4,215**	**1,493**	**727**	**1,380**		**11,022**	**+42.9%**
EBITDA	**1,736**	**1,015**	**600**	**305**	**332**	**347**	**4,225**	**1,475**	**617**	**95**	**188**	**233**		**2,534**	**+66.7%**
Depreciation, amortization and provisions	(404)	(445)	(310)	(60)	(94)	(156)	(1,470)	(349)	(319)	(66)	(20)	(71)		(827)	
Share-based payment							(1)							(3)	
CURRENT OPERATING INCOME	**1,332**	**570**	**290**	**245**	**238**	**191**	**2,754**	**1,126**	**298**	**29**	**168**	**162**		**1,704**	**+61.6%**

The data in the table above excludes the contributions of corporate functions.

Revenues

Revenues for the International Power operating segment for FY 2011 of €15,754 million were €4,732 million, 42.9% higher compared with FY 2010. €4.2 billion of the increase in revenues reflect changes in the scope of consolidation (chiefly reflecting the consolidation of International Power plc assets). On an organic basis, revenues increased 8.3% (€915 million) in FY 2011 compared with revenues in FY 2010, principally as a result of growth in Latin America, as new facilities were commissioned in Brazil and Panama, in Asia and the Middle East, Turkey & Africa, as well as by LNG operations in North America and by retail activities in the UK and Other Europe region.

Latin America. Revenues for Latin America for FY 2011 of €3,694 million were €486 million, or 15.1%, higher compared with FY 2010. €61 million of the €486 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Changes in exchange rates had a negative €60 million impact on revenues, resulting essentially from the depreciation of the US dollar. Additions to the scope of consolidation added €121 million, resulting from the controlling interest acquired in the Mejillones LNG terminal in Chile during the second half of 2010.

Organic revenue growth reflects the rise in average sales prices, particularly in Brazil, as well as the expansion of operations in Chile and Panama.

Electricity sales remained stable, up 0.6 TWh to 49.2 TWh. Gas sales climbed 4.1 TWh to 17 TWh, due chiefly to the commissioning of the Mejillones LNG terminal in Chile in the first half of 2010.

North America. Revenues for North America for FY 2011 of €4,830 million were €615 million, or 14.6%, higher compared with FY 2010. €552 million of the €615 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Changes in exchange rates had a negative €191 million impact on revenues, resulting essentially from the depreciation of the US dollar. Additions to the scope of consolidation added €743 million to revenues, reflecting the consolidation of International Power plc assets as from February 2011.

Electricity sales represented 78.3 TWh, a rise of 1.5 TWh on an organic basis thanks to a strong performance from the retail business. The production business reported an organic decline in revenues, hit by a 2.8 TWh fall in volumes sold to 25.7 TWh and by uneven price impacts in each market.

External natural gas sales came in at 63.4 TWh, in line with FY 2010. Revenues were lifted by higher prices following the re-routing of LNG cargoes towards other markets and the rise in average post-hedging prices for the LNG business in the United States.

UK & Other Europe. Revenues for International Power UK & Other Europe's operating sub-segment for FY 2011 of €3,410 million were €1,917 million, or 128%, higher compared with FY 2010. €1,828 million of the €1,917 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Changes in exchange rates had a negative €16 million impact on revenues, resulting essentially from the depreciation of the British pound. Additions to the scope of consolidation added €1,844 million, reflecting mainly the consolidation of International Power plc's European assets.

On an organic basis, revenues grew 6.0% (€89 million) in FY 2011 compared with FY 2010 spurred mainly by sales activities and particularly volume growth of 2.2 TWh, combined with a positive price effect.

Middle East, Turkey & Africa. Revenues for International Power Middle East, Turkey & Africa's operating sub-segment for FY 2011 of €1,175 million were €448 million, or 61.6%, higher compared with FY 2010. €306 million of the €448 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Changes in exchange rates had a negative €41 million impact on revenues, resulting essentially from the depreciation of the US dollar which also resulted in depreciation of currencies tied to the US dollar. Additions to the scope of consolidation added €347 million, resulting primarily from the consolidation of International Power plc assets and the full consolidation of the Hidd Power Company in Bahrain.

On an organic basis, revenues grew 19.5% (€142 million) in FY 2011 compared with FY 2010 spurred mainly by sales of electricity and gas in Turkey and by the operations and maintenance business in Oman.

Our electricity sales rose 10.6 TWh to 18.7 TWh, lifted mainly by changes in the scope of consolidation (consolidation of International Power plc assets). Natural gas sales edged up 1.1 TWh to 3.9 TWh.

Asia. Revenues for International Power Asia's operating sub-segment for FY 2011 of €1,764 million were €384 million, or 27.8%, higher compared with FY 2010. €222 million of the €384 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Changes in exchange rates had a positive €1 million impact on revenues, resulting essentially from gains in the Singapore dollar and a weaker Thai baht. Additions to the scope of consolidation added €221 million, resulting primarily from the consolidation of International Power plc assets and the proportionate consolidation of gas distribution assets in Thailand.

On an organic basis, revenues grew 11.7% (€162 million) in FY 2011 compared with FY 2010 spurred mainly by Thailand with the commissioning of the CFB3 and Phase V facilities, and by an improved performance from Singapore operations.

Australia. Revenues for International Power Australia's operating sub-segment for FY 2011 was €877 million on a reported basis, reflecting the contribution of International Power plc assets.

EBITDA

EBITDA for International Power plc for FY 2011 of €4,225 million was €1,691 million, or 66.7% higher compared with FY 2010. On an organic basis, EBITDA grew 17.3% (€438 million) in FY 2011 compared with FY 2010 spurred mainly by Latin America and North America.

Latin America. EBITDA for Latin America for FY 2011 of €1,736 million was €261 million, or 17.7%, higher compared with FY 2010. €24 million of the €261 million increase in EBITDA reflected changes in the scope of our consolidation and exchange rates.

On an organic basis, EBITDA grew 16.2% (€237 million) in FY 2011 compared with FY 2010 spurred mainly in Brazil by new contracts negotiated at higher prices, inflation and a rise in hydro electricity production (following the commissioning of the first Estreito units) which powered margin gains. These positive trends were offset by a decline in thermal production, which had enjoyed fairly strong levels in FY 2010; EBITDA growth in Chile was attributable to margin growth which was powered by a rise in volumes sold (Minera Esperanza) and an increase in production costs rebilled to customers (E.Cl benefiting from its coal price indexing). Indemnities were recognized in an amount of €45 million for commissioning delays relating to the CTA and CTH power plants; and in Panama, the Bahia Las Minas plant which collected indemnities for the delay in the plant's conversion to coal, benefited from margin growth following the commissioning of the coal facility. Spot volumes sold also rose. The commissioning of the first of the Dos Mares units also had a positive impact, namely Lorena (18 MW) and Lorena 2 (18 MW).

North America. EBITDA for North America for FY 2011 of €1,015 million was €398 million, or 64.5%, higher compared with FY 2010. €247 million of the €398 million increase in EBITDA reflected changes in the scope of our consolidation and exchange rates. Changes in exchange rates had a negative €27 million impact on EBITDA, resulting essentially from the depreciation of the US dollar. Additions to the scope of consolidation added €274 million, resulting primarily from consolidation of International Power plc assets.

On an organic basis, EBITDA grew 24.5% (€151 million) in FY 2011 compared with FY 2010 spurred chiefly by:

- the LNG business (up €134 million), which benefited from higher prices following the re-routing of LNG shipments towards other markets, including Asia and Europe.
- the strong performance from retail energy sale operations (up €19 million) was driven by volume and margin gains on the back of greater market stability as well as lower purchase costs.
- EBITDA from electricity production operations remained stable (inching down €7 million, or 1.5% on an organic basis):
    - in the ERCOT market in Texas, operations were given a boost by very high peak electricity prices thanks to favorable weather conditions and a good availability of power plants, conditions in the NEPOOL market (New England) remained tough, with lackluster capacity prices. The performance of biomass facilities was affected by the expiration of some long term contracts at end-FY 2010. These negative market impacts were comfortably offset by insurance indemnities collected due to the unavailability of the Northfield Mountain pump accumulator hydro facility in FY 2010,

- assets in the New York and PJM markets were affected by the end of several attractive long-term electricity supply contracts in FY 2011 as well as by unplanned stoppages,

- a good performance from other contracted assets was more than offset by unplanned stoppages at the Red Hills' coal-fired power plant in Mississippi.

UK & Other Europe. EBITDA for International Power UK & Other Europe's operating sub-segment for FY 2011 of €600 million was €505 million, or 531.6%, higher compared with FY 2010. €500 million of the €505 million increase in EBITDA reflected changes in the scope of our consolidation (consolidation of International Power plc's European assets) and exchange rates.

On an organic basis, EBITDA grew 5% (€5 million) in FY 2011 compared with FY 2010, mainly reflecting lower operating costs for Teesside, partly offset by a 5.3 TWh drop in electricity volumes produced as a result of sluggish market prices, coupled with narrower margins on sales activities.

Middle East, Turkey & Africa. EBITDA for International Power Middle East, Turkey & Africa's operating sub-segment for FY 2011 of €305 million was €117 million, or 62.2%, higher compared with FY 2010. EBITDA increased by €122 million as a result of changes in the scope of our consolidation (consolidation of International Power plc assets) and exchange rates.

On an organic basis, EBITDA fell 2% (€5 million) in FY 2011 compared with FY 2010 reflecting mainly:

- declining development fees in the Middle East, with fees relating to the Ras Laffan C and Suweihat projects in FY 2011 lower than fees for the Riyadh II and Barka III/Sohar II projects in FY 2010;

- an improved performance in operating and maintenance activities which were boosted by the first full operative year of the Marafiq plant and by the sale of spare parts;

- EBITDA growth for Baymina in Turkey, with a one-off sum paid over to TETAS, the plant's main customer, in FY 2010. A rise in volumes of gas sold drove EBITDA growth for Izgaz.

Asia. EBITDA for Asia for FY 2011 of €332 million was €99 million, or 42.5%, higher compared with FY 2010. €62 million of the €99 million increase in EBITDA reflected changes in the scope of our consolidation and exchange rates. Changes in exchange rates had a negative €1 million impact on EBITDA. Additions to the scope of consolidation added €63 million.

On an organic basis, EBITDA grew 15.9% (€37 million) in FY 2011 compared with FY 2010 reflecting mainly the following:

- In Thailand, the growth momentum provided by Glow's CFB3 and Phase V units and the indemnities collected by Gheco One was partially offset by adverse weather conditions in Laos.

- In Singapore, Senoko reported a €22 million rise in EBITDA, buoyed by margin growth on sales agreements with industrial customers and market opportunities in the middle of the year.

Australia. EBITDA for International Power Australia's operating sub-segment for FY 2011 was €347 million.

Current operating income

Current operating income for International Power plc for FY 2011 of €2,754 million was €1,050 million, or 61.6% higher compared with FY 2010. On an organic basis, EBITDA grew 24.2% (€412 million) in FY 2011 compared with FY 2010.

North America. Current operating income for North America for FY 2011 of €570 million was €272 million, or 91.3%, higher compared with FY 2010. On an organic basis, current operating income increased 51.6% (€194 million) in FY 2011 compared with current operating income in FY 2010. The reasons for the upturn are essentially the same as those explained above for EBITDA.

Latin America. Current operating income for Latin America for FY 2011 of €1,332 million was €206 million, or 18.3%, higher compared with FY 2010. On an organic basis, current operating income increased 18.0% (€203 million) in FY 2011 compared with current operating income in FY 2010.

EBITDA growth was partially offset by higher depreciation and amortization expenses relating mainly to the commissioning of the first units of Estreito (Brazil), the CTA and CTH plants (Chile), as well as the first units of Dos Mares and the coal facility (Panama).

Middle East, Turkey & Africa. Current operating income International Power Middle East, Turkey and Africa's operating sub-segment for FY 2011 of €245 million was €77 million, or 45.8%, higher compared with FY 2010.

On an organic basis, current operating income decreased 13.2% in FY 2011 compared with current operating income in FY 2010. Besides the decrease in EBITDA, this decline reflects the non-recurrence of the write-back of the TETAS provision which had boosted current operating income in FY 2010.

Asia. On an organic basis, current operating income increased 13.5% in FY 2011 compared with current operating income in FY 2010. The reasons for the upturn are essentially the same as those described above for EBITDA.

UK & Other Europe. Current operating income for the region was down 2.5% on an organic basis to €290 million in FY 2011.

Australia. Current operating income for International Power Australia's operating sub-segment for FY 2011 was €191 million which was derived wholly from changes in the scope of consolidation (consolidation of International Power plc assets).

FY 2010 compared with FY 2009.

See " – International Power – Changes in segment Reporting" above. The table below sets forth the revenues, EBITDA and current operating income in FY 2010 and FY 2009 for the three former separate geographical segments of the Energy Europe & International businesses, which became part of International Power in 2011: North America, Latin America and Middle East, Asia & Africa (based on our prior segmentation):

	FY 2010				**FY 2009**				
	North America	***Latin America***	***ME, Asia & Africa***	**Total**	***North America***	***Latin America***	***ME, Asia & Africa***	**Total**	**% change**
	(in millions of €)				**(in millions of €)**				
Revenues	**4,215**	**3,208**	**2,007**	**9,430**	**3,877**	**2,012**	**1,510**	**7,399**	**27.4%**
EBITDA (A)	**617**	**1,475**	**406**	**2,498**	**657**	**1,026**	**286**	**1,969**	**27%**
Depreciation, amortization and provisions (B)	(319)	(349)	(88)	(756)	(228)	(191)	(88)	(507)	
Current operating income = A + B	**298**	**1,126**	**317**	**1,742**	**429**	**835**	**197**	**1,462**	**11.4%**

Revenues

North America. Revenues for Energy North America for FY 2010 of €4,215 million were €338 million, or 8.7%, higher compared with FY 2009. €401 million of the increase in revenues reflected changes in the scope of consolidation (positive €189 million due to the controlling interest acquired in the Astoria 1 power plant) and in exchange rates (positive €212 million impact resulting from the rise in the US dollar and Mexican peso). On an organic basis, revenues declined 1.5% (€63 million) in FY 2010 compared with revenues in FY 2009, principally as a result of lower generation volumes and lower pricing, taking into account the effect of hedging.

Electricity sales climbed 8.9 TWh to 59.6 TWh. The rise stems mainly from the first-time consolidation of Astoria 1 and from the good retail performance reported by Energy Resources North America, which supplies electricity to business and industrial customers. Volumes for this business surged 17% to 30.7 TWh. Natural gas sales slipped 6 TWh to 63.4 TWh. Besides the volume impact, revenues were also hit by a fall in prices after hedging in the LNG business in the United States.

Latin America. Revenues for Energy Latin America for FY 2010 of €3,208 million were €1,196 million, or 59.4%, higher compared with FY 2009. €701 million of the €1,196 million increase in revenues reflected changes in the scope of our consolidation (€434 million), resulting mainly from the controlling interests acquired in Chilean electricity businesses Electroandina and Edelnor at the end of January 2010, and exchange rates (€267 million), stemming from the appreciation of the Brazilian real and US dollar.

On an organic basis, revenues increased 21.8% (€494 million) in FY 2010 compared with revenues in FY 2009. Sales of electricity climbed 8.2 TWh to 48.5 TWh in FY 2010, spurred by the controlling interests acquired in Chilean businesses. Gas sales rose 4.5 TWh, due mainly to the commissioning of the Mejillones LNG terminal in Chile.

Organic revenue growth is attributable to an increase in volumes sold in Brazil following the commissioning of the San Salvador hydraulic plant in August 2009, gains on spot transactions, and the commissioning of the Mejillones LNG terminal in Chile.

Middle East, Asia & Africa. Revenues for Energy Middle East, Asia & Africa for FY 2010 of €2,007 million was €497 million, or 32.9%, higher compared with FY 2009. €172 million of the €497 million increase in revenues reflected changes in the scope of our consolidation (€30 million), following the proportionate consolidation of Thai gas distributors PTT NGD and Amata NGD), and exchange rates (€142 million), due to the appreciation in the Singapore dollar, Thai baht and US dollar.

On an organic basis, revenues increased 19.6% (€324 million) in FY 2010 compared with revenues in FY 2009. The growth performance was powered chiefly by Senoko (up €106 million) following the upturn in demand in Singapore, and by Thailand (up €39 million) and Turkey (up €61 million) thanks to shorter maintenance periods in FY 2010 compared with FY 2009. Revenues for Operations and Maintenance activities in the Middle East rose €54 million due to the commissioning of several facilities (Marafiq, Al Dur). Electricity sales for the business area were up 1.6 TWh, or 6.5%, to 26.4 TWh. After the consolidation of PTT NGD and Amata NGD, gas sales came in at 1.1 TWh.

EBITDA

North America. EBITDA for Energy North America for FY 2010 of €617 million was €40 million, or 6.1%, lower compared with FY 2009. €108 million of the increase in EBITDA reflected changes in the scope of our consolidation (positive impact of €71 million) and exchange rates (positive impact of €37 million). On an organic basis, EBITDA declined 21% (€148 million) in FY 2010 compared with FY 2009, reflecting:

- the negative EBITDA growth was chiefly attributable to the LNG business (down €114 million), which had been boosted by non-recurring items in FY 2009 (end of favorable hedging contracts and Gas Natural settlement). The steep decline was partially offset by lower operating costs at the Everett terminal;

- electricity production fell €12 million, due mainly to unplanned maintenance operations over seven months at the Northfield Mountain hydraulic plant. This was partially offset by the commissioning of the West Cape Wind Farm and Caribou Wind Park as well as the Waterbury plant in FY 2009. However, electricity production from renewable sources suffered under heavy storms at the beginning of FY 2010, which led to stoppages at several wind power facilities;

- the sub-segment's retail energy sales were boosted by greater volumes sold and higher margins.

Latin America. EBITDA for Energy Latin America for FY 2010 of €1,475 million was €452 million, or 44.2%, higher compared with FY 2009. €301 million of the €452 million increase in EBITDA reflected changes in the scope of our consolidation and exchange rates, principally related to principally to currency variations in addition to the reorganization of operations in Chile.

On an organic basis, EBITDA increased 12.9% (€151 million) in FY 2010 compared with EBITDA in FY 2009: in Brazil, EBITDA growth was driven by higher margins on bilateral sales, favorable hydro conditions and an increase in thermal production leading to a rise in spot sales; EBITDA growth in Chile was chiefly attributable to the commissioning of the Mejillones LNG terminal; the decline reported in Panama was due to technical problems and a delay in converting Bahia Las Minas to a coal-fired plant.

Middle East, Asia & Africa. EBITDA for Energy Middle East, Asia & Africa for FY 2010 of €406 million was €120 million, or 42%, higher compared with FY 2009. €32 million of the €120 million increase in EBITDA reflected changes in the scope of our consolidation (€8 million), following the proportionate consolidation of PTT NGD and Amata NGD, and exchange rates (€24 million).

On an organic basis, EBITDA increased 28% (€88 million) in FY 2010 compared with EBITDA in FY 2009. This strong performance was boosted by development fees collected in the Middle East, as well as contractual revenues under medium and long-term agreements amid growing energy demand in the region:

- in Thailand, EBITDA increased as a result of stable prices coupled with lower fuel costs (coal and gas). The first-half of FY 2009 had been significantly impacted by costs and maintenance stoppages at some plants;
- in Singapore, Senoko benefited from stronger electricity demand that enabled it to improve sales and margins;
- EBITDA improved in the Middle East, spurred mainly by a rise in development fees for the Riyadh PP 11, Barka 3 and Sohar 2 projects.

Current operating income

North America. Current operating income for Energy North America for FY 2010 of €298 million was €131 million, or 30.5%, lower compared with FY 2009, which was principally due to the same contributory factors as for EBITDA. €65 million of the increase in current operating income reflected changes in the scope of our consolidation (the increase of our interest in Astoria), and exchange rates. On an organic basis, current operating income declined 43% in FY 2010 compared with current operating income in FY 2009.

Latin America. Current operating income for Energy Latin America for FY 2010 of €1,126 million was €291 million, or 35%, higher compared with FY 2009. €250 million of the €291 million increase in current operating income reflected changes in the scope of our consolidation (the reorganization of operations in Chile) and exchange rates. On an organic basis, current operating income increased 4.5% (€43 million) in FY 2010 compared with current operating income in FY 2009.

Growth in current operating income underperformed growth in EBITDA, due to higher depreciation charges linked to the start-up of the San Salvador hydraulic plant in Brazil, the commissioning of the Mejillones LNG terminal, and the fair value recognition of Chilean electricity assets following acquisitions of controlling interests in January 2010.

Middle East, Asia & Africa. Current operating income for Energy Middle East, Asia & Africa for FY 2010 of €317 million was €120 million, or 60.9%, higher compared with FY 2009. On an organic basis, current operating income increased 46% in FY 2010 compared with current operating income in FY 2009, in line with EBITDA trends.

Global Gas & LNG

The table below sets forth the revenues, EBITDA and current operating income for our Global Gas & LNG operating segment in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	% change (reported basis)	FY 2010	FY 2009	% change (reported basis)
	(in millions of €)			(in millions of €)		
Revenues[(1)]	**9,936**	**9,173**	**8.3%**	**9,173**	**10,657**	**(13.9)%**
EBITDA (A)	**2,386**	**2,080**	**14.7%**	**2,080**	**2,864**	**(27.4)%**
Depreciation, amortization and provisions (B)	(1,217)	(1,116)		(1,116)	(1,412)	
Share-based payment (C)	(5)	(4)		(4)	(2)	
Current operating income = A + B + C	**1,164**	**961**	**21.2%**	**961**	**1,450**	**(33.8)%**

(1) Does not include revenues for intragroup services.

Revenues

FY 2011 compared with FY 2010. Revenues for Global Gas & LNG for FY 2011 of €9,936 million were €763 million, or 8.3%, higher compared with FY 2010. The increase in revenues includes a negative impact of changes in the scope of our consolidation and exchange rates of €119 million. On an organic basis, revenues increased 9.6% (€881 million) in FY 2011 compared with revenues in FY 2010. The revenue contribution was largely sustained by strong growth in E&P and LNG businesses, and to a lesser extent by sales in the Gas Supplies business unit, offsetting a decline in sales to European Key Accounts.

The rise in the operating segment's revenues contribution reflects mainly:

- a rise in hydrocarbon production within the E&P business following the ramp-up of production at the Gjøa and Vega fields in Norway and the impact of rising commodity prices. Total hydrocarbon production in 2011 was up 6.7 Mbep to 57.8 Mbep from 51.1 Mbep in 2010;
- growth in external LNG sales with volumes up 7 TWh. In 2011, external LNG sales came in at 41 TWh, representing 45 cargoes including 24 shipped to Asia (34 TWh and 39 cargoes, including 16 shipped to Asia in 2010). LNG operations also received a boost from the rise in commodity prices;
- growth in short-term sales volumes amid rising market prices, up to 111 TWh in 2011 (90 TWh in 2010);
- a drop of 20 TWh in natural gas sales in the European Key Accounts portfolio in a fiercely competitive climate, with sales volumes down to 144 TWh in 2011 from 164 TWh in 2010.

FY 2010 compared with FY 2009. Revenues for Global Gas & LNG for FY 2010 of €9,173 million were €1,484 million, or 13.9%, lower compared with FY 2009. €44 million of the increase in revenues reflected changes in the scope of our consolidation and exchange rates. On an organic basis, revenues declined 14.3% (€1,528 million) in FY 2010 compared with revenues in FY 2009. Overall, the FY 2010 revenue contribution was dented by the fall in short-term gas sales and sales to European Key Accounts, partially offset by higher E&P revenues and LNG sales. The fall in the operating segment's revenue contribution reflects mainly:

- a decline in short-term sales (including sales to operators) with a 29 TWh drop in volumes amid mixed NBP pricing trends (fall of 11% in H1 2010 compared with the first half of FY 2009, but an overall 22% rise year-on-year); and a 12 TWh rise in external LNG sales, to 34 TWh in FY 2010 (39 cargoes) versus 22 TWh in FY 2009 (26 cargoes);
- a contraction of 21 TWh in natural gas sales in the European Key Accounts portfolio (164 TWh in FY 2010 versus 185 TWh in FY 2009), mainly attributable to lower portfolio volumes and the fall in average sales prices over the period in a highly competitive environment, despite the impact of the related price hedges;
- a €120 million (8.1%) rise in E&P revenues to €1,593 million, reflecting: a stable hydrocarbon production contribution, which came in at 34.6 MMboe (the Gjøa field only began operating at the end of FY 2010) ; and a 12% year-on-year rise in average sales prices after hedging in €/boe, against a backdrop of rising average oil prices (up 37% in FY 2010 versus FY 2009).

EBITDA

FY 2011 compared with FY 2010. EBITDA for Global Gas & LNG for FY 2011 of €2,386 million was €306 million, or 14.7%, higher compared with FY 2010 on both reported and organic bases, which was principally due to advances in the E&P business as a result of the commissioning of the Gjøa and Vega oil fields in Norway at the end of 2010 and the rise in commodity prices in the period. In addition, an improved performance from the LNG business, particularly in Asia and offsetting the downturn in the Gas Supplies business in 2011 resulting from the impact of the gas/oil price spreads and particularly mild weather conditions over the period, as well as the fall in volumes of sales to European Key Accounts, impacted this increase.

FY 2010 compared with FY 2009. EBITDA for Global Gas & LNG for FY 2010 of €2,080 million was €784 million, or 27.4%, lower compared with FY 2009, which was principally due to a slight rise in the EBITDA contribution from E&P activities (€1,439 million in FY 2010 versus €1,363 million in FY 2009), with favorable trends in oil prices offsetting the overall decline in production, while the adverse impacts of the economic crisis, which hit volumes as well as prices in terms of the gas-oil spread, sales to wholesale markets and Key Accounts, LNG sales and trading and optimization activities. Moreover, the basis for comparison, especially first half of FY 2009, had been boosted by exceptional market opportunities and arbitrage gains for just over €400 million.

Current operating income

FY 2011 compared with FY 2010. Current operating income for Global Gas & LNG for FY 2011 of €1,164 million was €203 million, or 21.2%, higher compared with FY 2010, which was principally due to the same contributing factors to EBITDA.

FY 2010 compared with FY 2009. Current operating income for Global Gas & LNG for FY 2010 of €961 million was €489 million, or 33.8%, lower compared with FY 2009 on both reported and organic bases, which was principally due to the same contributory factors as for EBITDA. The decline in current operating income between the periods was offset by lower depreciation, amortization, provision and impairment expense (down €297 million) resulting from certain declining-balance depreciation/amortization methods.

Infrastructures

The table below sets forth the revenues, EBITDA and current operating income for our Infrastructures operating segment in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	% change (reported basis)	FY 2010	FY 2009	% change (reported basis)
	(in millions of €)			(in millions of €)		
Revenues(1)	**1,491**	**1,203**	**23.9%**	**1,203**	**1,043**	**15.3%**
EBITDA (A)	**2,991**	**3,223**	**(7.2)%**	**3,223**	**3,026**	**6.5%**
Depreciation, amortization and provisions (B)	(1,189)	(1,148)		(1,148)	(1,078)	
Share-based payment (C)	(10)	(3)		(3)	(1)	
Current operating income = A + B + C	**1,793**	**2,071**	**(13.4)%**	**2,071**	**1,947**	**6.4%**

(1) Does not include revenues for intragroup services.

Revenues

FY 2011 compared with FY 2010. Revenues for Infrastructures for FY 2011 of €1,491 million were €288 million, or 23.9%, higher compared with FY 2010 on both reported and organic bases. The increase in the contributions from this operating segment to our consolidated revenues reflects the growth of transportation, storage and terminalling services on behalf of third parties due to an increasingly deregulated market, the start-up of commercial operations at Fos Cavaou and new gas storage facilities acquired by Storengy in Germany on August 31, 2011 which offset reduced revenues as a result of a drop in volumes transported by GrDF mainly due to milder weather conditions and to lower storage capacity sales in France.

FY 2010 compared with FY 2009. Revenues for Infrastructures for FY 2010 of €1,203 million were €160 million, or 15.3%, higher compared with FY 2009 on both reported and organic bases. Revenue growth was fueled by an expansion in the volumes transported by GrDF due to harsher weather conditions than in FY 2009, by the start-up of commercial operations at Fos Cavaou, operating at 20% of capacity as of April 1, 2010 and 100% as of November 1, 2010, by the 3.9% increase in the rate for accessing French transport infrastructure from April 1, 2010, offset by the introduction of regulated rates in Germany effective from October 1, 2009, by the 1.5% and 0.8% rises in the rate for accessing distribution infrastructure from July 1, 2009 and July 1, 2010, respectively, and finally by the implementation of a new rate for accessing LNG terminals on January 1, 2010.

EBITDA

FY 2011 compared with FY 2010. EBITDA for Infrastructures for FY 2011 of €2,991 million was €232 million, or 7.2%, lower compared with FY 2010 on both reported and organic bases, which was principally due the fall in revenues.

FY 2010 compared with FY 2009. EBITDA for Infrastructures for FY 2010 of €3,223 million was €197 million, or 6.5%, higher compared with FY 2009 on both reported and organic bases, which was principally due to favorable weather conditions and positive price impacts (rates for accessing distribution networks and LNG terminals as well as lower energy costs).

Current operating income

FY 2011 compared with FY 2010. Current operating income for Infrastructures for FY 2011 of €1,793 million was €278 million, or 13.4%, lower compared with FY 2010 on both reported and organic bases, in line with EBITDA trends.

FY 2010 compared with FY 2009. Current operating income for Infrastructures for FY 2010 of €2,071 million was €124 million, or 6.4%, higher compared with FY 2009, and broadly in line with EBITDA trends. On an organic basis, current operating income increased 6.4% in FY 2010 compared with current operating income in FY 2009, broadly in line with EBITDA trends.

Energy Services

The table below sets forth the revenues, EBITDA and current operating income for our Energy Services operating segment in FY 2009, FY 2010 and FY 2011:

	FY 2011	FY 2010	% change (reported basis)	FY 2010	FY 2009	% change (reported basis)
	(in millions of €)			(in millions of €)		
Revenues	**14,206**	**13,486**	**5.3%**	**13,486**	**13,621**	**(1.0)%**
EBITDA (A)	**1,005**	**923**	**8.9%**	**923**	**921**	**0.2%**
Depreciation, amortization and provisions (B)	(308)	(302)		(302)	(268)	
Share-based payment and net disbursements under concession contracts (C)	(42)	(23)		(23)	(56)	
Current operating income = A + B + C	**655**	**598**	**9.5%**	**598**	**598**	**0%**

Revenues

FY 2011 compared with FY 2010. Revenues for Energy Services for FY 2011 of €14,206 million were €720 million, or 5.3%, higher compared with FY 2010 and was up 3% on an organic basis.

In France, revenues for service activities (Cofely France) slipped 1.8% on an organic basis, with the positive impact of commercial development and improving energy prices offsetting adverse weather conditions. Installation and maintenance activities delivered organic growth of 9.8%, spurred by revenue gains for Inéo (up 7.5%), the Environmental and Refrigeration Engineering business (up 11.8%) and Endel (up 13.2%).

Belgium and the Netherlands reported organic revenue growth of 7.3% and 12.3%, respectively. In Belgium, this trend reflects a good level of new orders in installation businesses as well as robust commercial development. In the Netherlands, sales momentum picked up pace as production began quickly on major new orders, buoying operations in 2011.

Tractebel Engineering reported a slight fall of 1.9% in organic revenue growth. This reflects the high number of large-scale projects in the comparative 2010 period and delays on orders taken in infrastructure and in the international subsidiaries, partially offset by strong momentum from the energy business.

Excluding France and Benelux, organic revenues for the operating segment dropped 4.5% in northern Europe (mainly UK). In southern Europe, revenues retreated 6.4%, dragged down by Italy and Spain in particular. The International Overseas business unit delivered organic revenue growth of 2.6%.

FY 2010 compared with FY 2009. Revenues for Energy Services for FY 2010 of €13,486 million were €135 million, or 1%, lower compared with FY 2009 and were stable on an organic basis.

In France, revenues for service activities (Cofely France) inched up 0.8%, or €27 million, on an organic basis, with favorable weather conditions, the impacts of commercial development and the improvement in energy prices offsetting the decline in volumes of work under service agreements. Installation activities reported organic growth of 4.5%, or €162 million, buoyed by 5.7% growth at Inéo and advances in Environmental and Refrigeration Engineering (up 2.1%) and Endel (up 4.2%).

Belgium and the Netherlands reported decreases of €51 million (3.2%) and €146 million (12.6%) respectively. In Belgium, this trend was due to the impact of the economic downturn on installation activities and a fall-off in business in the energy sector. In the Netherlands, government infrastructure projects failed to offset the contraction in demand from private customers across all regions.

Tractebel Engineering pressed ahead with its development push in all businesses. Despite the lack of infrastructure projects, organic revenue growth came in at 4.5%, or €21 million.

Excluding France and Benelux, the operating segment delivered 1.2% (€16 million) organic growth in Northern Europe, with advances in Germany and Eastern European countries offsetting a decline in the UK and Switzerland. Revenues dropped €56 million (3.9%) in Southern Europe mainly due to continuing depressed market conditions in Spain. The International Overseas business unit reported organic revenue growth of €21 million (4.6%), spurred by a favorable volume impact, good rainfall levels and a step-up in production at the Prony Energies plant.

EBITDA

FY 2011 compared with FY 2010. EBITDA for Energy Services for FY 2011 of €1,005 million was €82 million, or 8.9%, higher compared with FY 2010. €48 million of the increase in EBITDA reflected changes in the scope of our consolidation and exchange rates, principally related to the acquisition of Ne Variateur. On an organic basis, EBITDA increased 3.7% in FY 2011 compared with FY 2010.

This testifies to the operating segment's ability to perform well in a tough economic climate in most of its European markets. All of the businesses except Cofely France saw EBITDA make strong gains or remain stable.

In France, service activities were affected by adverse weather conditions throughout the year, pressure on margins when renewing contracts and the expiration of the first co-generation agreements. EBITDA for installation operations was boosted by a positive volume impact, led by Endel in particular. Business diversification and a strong sales momentum in Belgium helped lift performance. In the Netherlands, the new organization and efforts to optimize overheads drove a recovery in margins in line with 2011 forecasts amid an upturn in sales. Tractebel Engineering continued to put in a strong performance, posting profitability gains amid more stable business levels. Following the consolidation of Utilicom as of April 1, 2010, ProEnergie as of October 1, 2010 and Comeron in the second half of 2011, International North posted strong advances based on reported figures. Profitability remained stable on an organic basis, with the downturn in the UK and Eastern European countries offset by advances in Germany and Austria.

The International South business unit had to contend with a particularly tough economic climate in Italy and Spain. Nevertheless, Italy, in particular, delivered organic EBITDA growth on the back of one-off gains relating to the early withdrawal from a co generation contract. EBITDA for International Overseas operations rose sharply on an organic basis across all businesses.

FY 2010 compared with FY 2009. EBITDA for Energy Services for FY 2010 of €923 million was €2 million, or 0.2%, higher compared with FY 2009. Negative €3 million of the increase in EBITDA reflected changes in the scope of our consolidation and exchange rates. On an organic basis, EBITDA increased 0.5% in FY 2010 compared with FY 2009.

This testifies to the operating segment's resilience amid a persistently tough economic environment for its activities, with gains at Cofely France, France Installations Services, Tractebel Engineering and International Overseas offsetting difficulties encountered in the Netherlands.

In France, service activities were boosted by favorable weather conditions at the beginning and end of the year. Revenues for installation activities continued to improve, although the mood remains hesitant in industry and construction. The low number of new projects took its toll on both Environmental and Refrigeration Engineering business volumes and margins. Business diversification in Belgium helped deliver a satisfactory performance despite a decline in Oil & Gas activities due to customers postponing investments. In the Netherlands, efforts to optimize overheads partly offset the impact of lower margins and the slowdown in business. Measures are continuing to be rolled out to address the situation. Tractebel Engineering continued to grow and turned in a solid performance. Despite the integration of Utilicom as of April 1, 2010, the International North business unit reported a decline in business, especially in Switzerland.

The International South business unit had to contend with a particularly tough economic climate in Italy and Spain. Measures taken to address this situation in FY 2009 failed to offset the fall in profitability due to this environment. The sale of Restiani in late FY 2009 was principally responsible for the decline in revenues and EBITDA in FY 2010. International Overseas EBITDA edged up on an organic basis. On a reported basis, the aggregate amount includes the acquisition of two photovoltaic farms for 9.6 MWp in New Caledonia.

Current operating income

FY 2011 compared with FY 2010. Current operating income for Energy Services for FY 2011 of €655 million was €57 million, or 9.5%, higher compared with FY 2010. On an organic basis, current operating income increased 5.8% in FY 2011 compared with current operating income in FY 2010.

FY 2010 compared with FY 2009. Current operating income for Energy Services remained stable between FY 2010 and FY 2009 at €598 million. On an organic basis, current operating income increased 0.4% in FY 2010 compared with current operating income in FY 2009, in line with EBITDA trends.

SUEZ Environnement

The table below sets forth the revenues, EBITDA and current operating income for our SUEZ Environnement operating segment in FY 2008, FY 2009 and FY 2010:

	FY 2011	FY 2010	% change (reported basis)	FY 2010	FY 2009	% change (reported basis)
	(in millions of €)			(in millions of €)		
Revenues	**14,819**	**13,863**	**6.9%**	**13,863**	**12,283**	**12.9%**
EBITDA (A)	**2,513**	**2,339**	**7.4%**	**2,339**	**2,060**	**13.5%**
Depreciation, amortization and provisions (B)	(1,179)	(1,027)		(1,027)	(851)	
Share-based payment and net disbursements under concession contracts (C)	(294)	(288)		(288)	(283)	
Current operating income = A + B + C	**1,039**	**1,025**	**1.4%**	**1,025**	**926**	**10.7%**

Revenues

<u>*FY 2011 compared with FY 2010*</u>. Revenues for Suez Environnement for FY 2011 of €14,819 million were €956 million, or 6.9%, higher compared with FY 2009. €26 million of the €956 million increase in revenues reflected changes in the scope of our consolidation and exchange rates, principally related to the increase of SUEZ Environnement's shareholding in Agbar (now fully consolidated) offset by the disposals of Adeslas and Bristol Water. On an organic basis, revenues increased 5.2 % in FY 2011 compared with revenues in FY 2010. Revenue growth was fueled mainly by the Waste Europe segment (up 8.9%), where upbeat waste sorting and recycling activities were buoyed by a 3.4% volume growth for the year as a whole and spiraling commodity prices in the first half of 2011 (although paper prices fell sharply in the fourth quarter). Revenues for the Water Europe segment climbed 3.2%, buoyed by a favorable pricing environment on its three biggest markets (France, Spain and Chile) and a strong upturn in volumes in Chile. Volumes rose slightly in Spain, but slipped in France. The International segment reported 1.5% growth on the back of the Melbourne contract, but also benefited from a sharp rise in volumes in both businesses across emerging markets.

<u>*FY 2010 compared with FY 2009*</u>. Revenues for Suez Environnement for FY 2010 of €13,863 million were €1,580 million, or 12.9%, higher compared with FY 2009. €511 million of the €1,580 million increase in revenues reflected changes in the scope of SUEZ Environnement's consolidation (the full consolidation of Agbar) and exchange rates. On an organic basis, revenues increased 8.7% in FY 2010 compared with revenues in FY 2009, driven mainly by the International (up 17.7%) and Waste Europe (up 8.5%) segments, which benefited from the contribution from the Melbourne contract, positive price/volume effects in the International business, and high prices for recovered secondary raw materials in waste sorting and recycling activities. Revenues for the Water Europe segment (up 0.8%) were buoyed by upbeat trends for Agbar in volumes (China, Chile) and prices (Spain, UK). In France, the decline in water billings was mainly the result of the termination of the Paris contract on January 1, offset in revenue terms by contractual rate revisions and the development of construction work.

EBITDA

<u>*FY 2011 compared with FY 2010*</u>. EBITDA for SUEZ Environnement for FY 2011 of €2,513 million was €174 million, or 7.4%, higher compared with FY 2010. On an organic basis, EBITDA increased 3.1% in FY 2011 compared with FY 2010.

EBITDA for the Water Europe segment climbed 10.2%, thanks to upbeat business momentum, cost reductions and synergies resulting from the COMPASS plan, and one-off impacts. Waste Europe reported 6.5% EBITDA growth, driven by rising volumes amid a tight pricing environment and further operating cost savings. The International segment posted a 17.7% fall in EBITDA, due to delays and cost overruns on the construction of the Melbourne plant. However, the segment reported performance gains in its main businesses in Asia/Pacific and North Africa/Middle East.

<u>*FY 2010 compared with FY 2009*</u>. EBITDA for SUEZ Environnement for FY 2010 of €2,339 million was €279 million, or 13.5%, higher compared with FY 2009, lifted by the favorable impacts of changes in exchange rates and the scope of consolidation stemming mainly from the full consolidation of Agbar as from June 8. On an organic basis, EBITDA increased 1.7% in FY 2010 compared with FY 2009.

EBITDA was bolstered by 9.6% growth in the International sub-segment on the back of favorable price/volume effects, and by 4.1% growth in the Waste Europe sub-segment, where the sharp rise in the price of recovered secondary raw materials offset lower landfill volumes. However, EBITDA was hit by a 3.0% decline in Water Europe due to the termination of the Paris contract, lower year on year volumes and new business launch costs. Over the year as a whole, the COMPASS program unlocked a further €120 million in cost savings.

Current operating income

<u>*FY 2011 compared with FY 2010*</u>. Current operating income for SUEZ Environnement for FY 2011 of €1,039 million was €14 million, or 1.4%, higher compared with FY 2010 on both reported and organic bases, but was held back by operational difficulties on the Melbourne contract. However, solid fundamentals in the water and waste Europe segments and upbeat markets in the international segment had a positive impact. Current operating income was also bolstered by the full consolidation of Agbar (first five months of FY 2011), which offset the impact of

disposals in fourth-quarter of FY 2011 and additional depreciation expenses taken against facilities commissioned during the year.

FY 2010 compared with FY 2009. Current operating income for SUEZ Environnement for FY 2010 of €1,025 million was €99 million, or 10.7%, higher compared with FY 2009, which was principally due to the same operating fundamentals as EBITDA, and helped offset the rise in depreciation and amortization expense resulting from recent acquisitions and business expansion.

Results of Operations for HY 2011 and HY 2012

Our Consolidated Results of Operations for HY 2011 and HY 2012

The table below sets forth our consolidated results of operations for HY 2011 and HY 2012:

	HY 2012	HY 2011
	(in millions of €)	
Revenues	**50,535**	**45,678**
Purchases	(27,546)	(23,534)
Personnel costs	(6,625)	(6,395)
Depreciation, amortization and provisions	(3,589)	(3,425)
Other operating expenses	(8,401)	(7,985)
Other operating income	1,061	892
Current operating income	**5,436**	**5,231**
Mark-to-market on commodity contracts other than trading instruments	295	(95)
Impairment of property, plant and equipment, intangible assets and financial assets	(361)	(63)
Restructuring costs	(78)	(51)
Changes in scope of consolidation	33	592
Other non-recurring items	243	51
Income from operating activities	**5,569**	**5,664**
Financial expenses	(2,220)	(1,613)
Financial income	692	538
Net financial loss	**(1,528)**	**(1,075)**
Income tax expense	(1,208)	(1,371)
Share in net income of associates	261	300
Net income	**3,094**	**3,519**
Net income share	2,331	2,738
Non-controlling interests	763	781
Earnings per share (€)[1]	**1.05**	**1.23**
Diluted earnings per share (€)[1]	**1.03**	**1.22**

(1) Earning per share for HY 2011 were adjusted to reflect the impact of the May 2012 dividend payment in shares. Basic earnings per share and diluted earnings per share as published in the condensed interim financial statements for HY 2011 amounted to €1.25 and €1.24, respectively.

The table below sets forth our revenues and a reconciliation between EBITDA and current operating income for HY 2011 and HY 2012:

	HY 2012	HY 2011	% change
	(in millions of €)		
Revenues	**50,535**	**45,678**	**10.6%**
EBITDA	**9,236**	**8,865**	**4.2%**
Depreciation, amortization and provisions	(3,589)	(3,425)	
Net disbursements under concession contracts	(154)	(140)	
Share-based payment	(58)	(69)	
Current operating income	**5,436**	**5,231**	**3.9%**

Revenues

<u>HY 2012 compared with HY 2011</u>. Our revenues for HY 2012 of €50,535 million were €4,857 million, or 10.6%, higher compared with HY 2011.

€806 million of the €4,857 million increase in revenues reflected changes in the scope of our consolidation and exchange rates. Exchange rate fluctuations had a positive €515 million impact, due mainly to fluctuations in the U.S. dollar and pound sterling. In addition, changes in the scope of our consolidation in HY 2012 had a net positive €291 million impact on our revenues between the periods as follows:

- Additions to the scope of consolidation added €617 million to revenues, resulting mainly from the contribution of International Power assets acquired at the beginning of February 2011 and the purchase by Infrastructures of natural gas storage sites in Germany.

- Departures from the scope of consolidation had a negative impact of €326 million on revenues and mainly concerned the disposal of EFOG (Exploration & Production), Eurawasser and Bristol Water by SUEZ Environnement.

On an organic basis, revenues were 8.8% higher compared with HY 2011. Organic revenue performance was driven by (i) the Group's rapid international expansion, (ii) sales growth at Global Gas & LNG—for both Exploration & Production and LNG businesses—and (iii) revenues growth for the Energy Management and Trading businesses.

EBITDA

<u>HY 2012 compared with HY 2011</u>. Our EBITDA for HY 2012 of €9,236 million was €371 million, or 4.2%, higher compared with HY 2011.

Changes in the scope of consolidation had a net negative impact of €51 million. Departures from the scope of consolidation decreased EBITDA by €277 million, partially offset by additions to the scope of consolidation which increased EBITDA by €226 million. Both additions and departures primarily concerned the events discussed above under "—Revenue". Exchange rate fluctuations had a €104 million positive impact.

Reported EBITDA growth was also driven by the impact of new facilities commissioned across all of the Group's businesses, (a greater contribution from the Exploration & Production business, and more favorable weather conditions than in HY 2011. These growth factors offset the decrease in EBITDA from companies sold as part of our portfolio optimization program and the adverse impact of changes in gas/electricity price spreads on the utilization of the Group's gas power plants, as well as the continuing impact of the tough economic conditions in the Group's mature markets.

On an organic basis, EBITDA increased 3.7% in HY 2012 compared with HY 2011 to €319 million. This increase on an organic basis reflected principally sharp increases in EBITDA from Energy Europe and Global Gas & LNG, offset in part by declines in our Suez Environnement and Energy International operating segments.

Current Operating Income

<u>HY 2012 compared with HY 2011</u>. Our current operating income for HY 2012 of €5,436 million was €205 million, or 3.9%, higher compared with HY 2011. On an organic basis, current operating income was 5.1% higher compared with HY 2011. This increase reflects growth in EBITDA, which more than offset higher depreciation/amortization expenses and charges to provisions, mainly as a result of facilities commissioned over the past 12 months.

Income from Operating Activities

<u>HY 2012 compared with HY 2011</u>. Our income from operating activities for HY 2012 of €5,569 million was €95 million, or 1.7%, lower compared with HY 2011 principally due to the positive impact of non-recurring items relating to business combinations and other one-off items in the prior-year period that did not recur during HY 2012.

Changes in the fair value of commodity instruments had a positive €295 million impact on income from operating activities (reflecting the impact of transactions not eligible for hedge accounting) in HY 2012, compared with a negative impact of €95 million in HY 2011. This gain was mainly due to the positive impact of the unwinding of positions with a negative market value at December 31, 2011.

Asset impairment losses totaled €361 million in HY 2012 (€63 million in HY 2011), relating principally to listed ACEA securities (€80 million) due to the prolonged decline of the market price below its historical cost as well as other asset writedowns of €279 million, including a writedown for the replacement of defective parts at the Wilhelmshaven plant (€90 million), in relation to Greek assets used in electricity production in view of the country's current economic problems and for technical problems at a combined cycle plant (€42 million) and the closure of the Shotton and Derwent plants in the United Kingdom (€25 million).

Our restructuring costs for HY 2012 were €78 million, €27 million, or 52.9%, higher compared with HY 2011, including costs incurred in the SUEZ Environnement operating segment (€35 million).

Changes in the scope of consolidation totaled €33 million corresponding to capital gains on the disposal of Eurawasser, were €559 million in HY 2012, or 94.4%, lower compared with HY 2011

Other non-recurring items totaled €243 million in HY 2012 (€51 million in HY 2011), mainly corresponding to income relating to the reduction of a fine paid within the scope of the "Megal" legal proceedings (see Note 8.2.1 of our HY 2012 financial statements).

Net Financial Loss

HY 2012 compared with HY 2011. Our net financial loss for HY 2012 of €1,528 million was €453 million, or 42.1%, higher compared with HY 2011, which primarily reflected two non-recurring items: the increase in the valuation of the derivative instrument for the International Power Convertible Bonds (see "—Current Trading and Prospects—Buyback of International Power Shares"), particularly following movements in the share price in the wake of our offer to buy the remaining 30% of its share capital; and the impact of lower interest rates on the portfolio of fixed-rate derivatives that do not qualify as hedging instruments.

Net Income

HY 2012 compared with HY 2011. Our net income for HY 2012 was €3,094 million, or 12.1%, lower compared with HY 2011, principally as a result of the foregoing, as well as decreased share in net income of associates. These were partially offset by decreased income tax expense. The effective tax rate, adjusted for disposal gains and losses, nondeductible asset impairment charges and other non-recurring items, was 30.9% in HY 2012 compared with 33.9% in HY 2011. The decrease in the effective tax rate resulted primarily from the non-recurring impact of the 12 percentage point increase in the tax rate on Exploration & Production activities in the United Kingdom in 2011; non-recurring deferred tax income of €90 million recognized in HY 2012 on the Group's Australian electricity production business following recent changes in tax legislation; and the increase in the contribution relating to nuclear activities in Belgium.

Segmental Results of Operations for HY 2011 and HY 2012

On January 1, 2012, we reorganized our energy businesses by creating two business lines, Energy International and Energy Europe, and redefining the scope of the Global Gas & LNG business line. For a description of these changes and our operating segments, see "—Segment Reporting—Current Segment reporting as from January 1, 2012" above. The discussion below regarding HY 2012 and HY 2011 reflect our new segment reporting as of January 31, 2012 and results as of June 31, 2011 for the relevant operating segments have been restated to reflect the new segment reporting. Our FY 2011, FY 2010 and FY 2009 results have not been so restated and therefore reflect our segment reporting as of December 31, 2011. Accordingly, the HY 2012 and HY 2011 discussions are not comparative to the FY 2011, FY 2010 and FY 2009 discussions of the Energy International, Energy Europe and Global Gas & LNG operating segments.

The table below sets forth the breakdown of our revenues for each of our operating segments for HY 2011 and HY 2012:

	HY 2012	HY 2011
	(in millions of €)	
Energy International	8,129	7,601
Energy Europe	24,269	21,323
Global Gas & LNG	2,494	1,604
Infrastructures	932	691
Energy Services	7,392	7,087
SUEZ Environnement	7,318	7,373
Other	0	0
Revenues	**50,535**	**45,678**

The table below sets forth the breakdown of our EBITDA for each of our operating segments in HY 2011 and HY 2012:

	HY 2012	HY 2011
	(in millions of €)	
Energy International	2,164	2,056
Energy Europe	2,485	2,252
Global Gas & LNG	1,415	1,246
Infrastructures	1,718	1,669
Energy Services	531	540
SUEZ Environnement	1,133	1,232
Other	(209)	(130)
EBITDA	**9,236**	**8,865**

The table below sets forth the breakdown of our current operating income for each of our operating segments in HY 2011 and HY 2012:

	HY 2012	HY 2011
	(in millions of €)	
Energy International	1,448	1,287
Energy Europe	1,647	1,434
Global Gas & LNG	740	687
Infrastructures	1,087	1,086
Energy Services	358	377
SUEZ Environnement	460	561
Other	(303)	(201)
Current Operating Income	**5,436**	**5,231**

Energy International

On January 1, 2012, we created the Energy International business line. For a description of our operating segments and the segmental reporting changes effective January 1, 2012, see "—Segment Reporting—Current Segment reporting as from January 1, 2012" above. The discussion below regarding HY 2012 and HY 2011 reflects our new segment reporting as of January 1, 2012 and results of operations for HY 2011 for the relevant operating segments have been restated to reflect the new segment reporting. As our FY 2011, FY 2010 and FY 2009 results of operations have not been so restated, the presentation of our results of operations for HY 2012 and HY 2011 discussions is not comparative to the FY 2011, FY 2010 and FY 2009 presentations of the Energy International operating segment.

The table below sets forth the revenues, EBITDA and current operating income for our Energy International operating segment in HY 2011 and HY 2012:

Group contributions	HY 2012							HY 2011							% change (reported basis)
	Latin America	North America	UK & Other Europe	META	Asia	Australia	Total	Latin America	North America	UK & Other Europe	META	Asia	Australia	Total	
	(in millions of €)							(in millions of €)							
Revenues	**1,981**	**2,119**	**1,787**	**630**	**1,089**	**522**	**8,129**	**1,843**	**2,355**	**1,565**	**578**	**811**	**449**	**7,601**	**6.9%**
EBITDA	**863**	**517**	**298**	**144**	**201**	**200**	**2,164**	**863**	**487**	**287**	**153**	**165**	**162**	**2,056**	**5.2%**
Depreciation, amortization and provisions	(233)	(208)	(128)	(16)	(56)	(72)	(713)	(201)	(228)	(181)	(38)	(41)	(86)	(777)	
Share-based payment							(3)						1	9	
Current Operating Income	**630**	**309**	**169**	**128**	**145**	**128**	**1,448**	**662**	**259**	**106**	**115**	**123**	**77**	**1,287**	**12.5%**

The Energy International business line also has a "headquarters" function, the contributions of which are not broken down in the table above.

Revenues

HY 2012 compared with HY 2011. Revenues for Energy International for HY 2012 of €8,129 million were €528 million, or 6.9%, higher compared with HY 2011. Revenues increased by €735 million as a result of changes in the scope of consolidation and favorable foreign exchange rates. Changes in exchange rates had a €398 million impact, resulting essentially from fluctuations in the U.S. dollar. Changes to the scope of consolidation had a positive €337 million impact, resulting from the contribution in January of International Power assets acquired at the beginning of February 2011.

On an organic basis, revenues for Energy International for HY 2012 were 2.6% lower compared with HY 2011 on an organic basis, due to organic revenues growth in Latin America (5.9%) and Asia (23%) being more than offset by a decline in North America (17.6%).

Latin America. Revenues for the Latin America region for HY 2012 of €1,981 million were €137 million, or 7.5%, higher compared with HY 2011. On an organic basis, revenues for HY 2012 were 5.9% (€110 million) higher compared with HY 2011. This growth is partially a result of the commissioning of the first units of the Estreito hydro power plant in Brazil in April 2011 combined with an increase in the average sales price primarily due to inflation. The commissioning of the CTA and CTH power plants in Chile in mid-2011 with a capacity of 264 MW also contributed to revenues. Electricity sales rose 1.9 TWh to 26.4 TWh, while gas sales inched down 1.0 TWh, mainly in Chile, coming in at 6.5 TWh.

North America. Revenues for the North America region for HY 2012 of €2,119 million on a reported basis were €236 million or 10.0%, lower compared with reported revenue for HY 2011. On an organic basis, revenues were 17.6% (€446 million) lower compared with HY 2011. This decrease was largely due to a drop in NYMEX natural gas prices which led to lower electricity prices and reduced income from gas sales. Electricity sales for the North America region of 37.4 TWh were 0.6 TWh lower, while natural gas sales, excluding intra-group transactions, of 27.9 TWh were 4.2 TWh lower.

UK & Other Europe. Revenues for the UK & Other Europe region for HY 2012 of €1,787 million on a reported basis were €222 million or 14.2%, higher compared with reported revenue for HY 2011. On an organic basis, revenues were 2.3% (€37 million) lower compared with HY 2011. The decrease was primarily driven in the United Kingdom by lower electricity production levels, partially offset by higher prices and volumes in the retail sector. Electricity sales rose slightly by 0.4 TWh to 17.8 TWh, while gas sales fell 1.2 TWh, to 12.2 TWh.

Middle East, Turkey & Africa. Revenues for the Middle East, Turkey & Africa region for HY 2012 of €630 million on a reported basis were €52 million or 9.0%, higher compared with reported revenue for HY 2011. On an organic basis, revenues were 5.2% (€30 million) higher compared with HY 2011, primarily driven by an upturn in gas sales in Turkey as well as revenue increases for the Baymina (Turkey) power plant which did not impact margins.

Asia. Revenues for the Asia region for HY 2012 of €1,089 million on a reported basis were €278 million or 34.3%, higher compared with reported revenue for HY 2011. On an organic basis, revenues were 23% (€199 million) higher compared with HY 2011. Growth was primarily driven by Thailand, buoyed by the strong performance of Glow Energy (up €127 million), partially offset by the adverse impact on the country of heavy flooding in 2011. The region also benefited from Senoko's increased sales in Singapore (up €121 million). Electricity sales rose 1.2 TWh to 12.0 TWh.

Australia. Revenues for the Australia region for HY 2012 of €522 million on a reported basis were €73 million or 16.3%, higher compared with reported revenue for HY 2011. On an organic basis, revenues were 12.8% (€62 million) lower compared to HY 2011, mainly attributable to lower consumption in the retail sector, unfavorable weather conditions and lower electricity prices. Electricity sales rose 1.3 TWh to 11.9 TWh.

EBITDA

HY 2012 compared with HY 2011. EBITDA for Energy International for HY 2012 of €2,164 million was €108 million, or 5.2%, higher compared with HY 2011. EBITDA increased by €161 million reflecting changes in the scope of consolidation and favorable foreign exchange rates. Changes in exchange rates had a €65 million impact, while additions to the scope of consolidation had a €123 million impact and departures from the scope of consolidation had a €27 million negative impact.

On an organic basis, EBITDA was 2.5% lower in HY 2012 compared with HY 2011, reflecting unfavorable market conditions in the Group's mature markets, mainly in Europe and Australia.

Latin America. EBITDA for Latin America for HY 2012 of €863 million remained stable compared with HY 2011.

On an organic basis, EBITDA increased by 1.0% (€9 million) compared with HY 2011. The organic increase mainly reflected the commissioning of the first units of the Estreito hydro power plant and the increase in average prices in Brazil, offset by the end of exceptional conditions under certain agreements in Chile in 2011 and the positive impact of compensation recorded in the previous period for delays in the commissioning of the Bahia Las Minas coal power plant in Panama.

North America. EBITDA for the North America region for HY 2012 of €517 million on a reported basis was €30 million or 6.2%, higher compared with EBITDA for HY 2011. On an organic basis, EBITDA decreased by 2.5% (€13 million), compared with HY 2011. This was primarily driven by the following:

- lower prices for electricity production (down €22 million, or 6.6% on an organic basis, in HY 2012 compared with HY 2011) in the Group's markets, with the exception of the ERCOT market (Texas). These lower prices were only partially offset by the payment of an additional insurance indemnity relating to a technical incident at the Northfield Mountain power plant in 2010; and

- the lower performance of the retail energy sales business (down €21 million), which delivered stable volumes but lower margins.

These factors were partially offset by higher EBITDA from the gas business (up €25 million in HY 2012 compared with HY 2011), which benefited from compensation received following the termination of an agreement in Mexico.

UK & Other Europe. EBITDA for the UK & Other Europe region for HY 2012 of €298 million on a reported basis was €11 million or 3.8%, higher compared with EBITDA for HY 2011. On an organic basis, EBITDA was 16.6% (€49 million) lower compared with HY 2011. This decrease reflected poor market conditions for power production assets in the United Kingdom, which were partially offset by the robust performance of First Hydro ancillary services. In light of these difficult conditions, the Group closed the Shotton (210 MW) power plant in June 2012 and will close Derwent (210 MW) by the end of 2012. In continental Europe, wind farms benefited from favorable weather conditions, notably in Italy, whereas the hydro power plants in Spain suffered from a lack of rain.

Middle East, Turkey & Africa. EBITDA for the Middle East, Turkey & Africa region for HY 2012 of €144 million on a reported basis was €9 million or 6.1%, lower compared with EBITDA for HY 2011. On an organic basis, EBITDA was 2.5% (€4 million) lower compared with HY 2011. The decrease is mainly attributable to the lower availability of the Sohar power plant.

Asia. EBITDA for the Asia region for HY 2012 of €201 million on a reported basis was €36 million or 21.8%, higher compared with EBITDA for HY 2011. On an organic basis, EBITDA was 9.6% (€17 million) higher compared with HY 2011. This growth was attributable to an increase in business despite higher operational costs in Singapore, and to the partial allocation of fuel price increases to electricity selling prices in Thailand following the floods of 2011.

Australia. EBITDA for the Australia region for HY 2012 of €200 million on a reported basis was €38 million or 23.9%, higher than EBITDA for HY 2011. On an organic basis, EBITDA was 6.8% (€12 million) lower compared with HY 2011, primarily due to unfavorable weather conditions during the summer of 2012.

Current operating income

HY 2012 compared with HY 2011. Current operating income for Energy International for HY 2012 of €1,448 million was €161 million, or 12.5%, higher compared with HY 2011 on a reported basis. On an organic basis, current operating income for HY 2012 increased by 7.3% (€95 million) compared with HY 2011. This increase reflected the impact on depreciation/amortization of new facilities commissioned and accounting adjustments booked on non-recurring items related to International Power assets acquired in 2011, mainly in Australia, in addition to EBITDA-related developments.

Latin America. Current operating income for Latin America for HY 2012 of €630 million on a reported basis was €32 million or 4.8%, lower compared with HY 2011 on a reported basis.

On an organic basis, current operating income was 2.9% (€19 million), lower compared with HY 2011. This decrease primarily reflects the increase in depreciation expenses following the commissioning of the Estreito (Brazil) and CTA and CTH (Chile) power plants.

North America. Current operating income for North America for HY 2012 of €309 million on a reported basis was €50 million or 19.3%, higher compared with HY 2011 on a reported basis.

On an organic basis, current operating income was 12.3% (€34 million), higher compared with HY 2011, reflecting the reduction in depreciation of the Choctaw and Hot Spring plants after their recognition in assets classified as held for sale.

UK & Other Europe. Current operating income for UK & Other Europe for HY 2012 of €169 million on a reported basis was €63 million or 59.4%, higher compared with HY 2011 on a reported basis.

On an organic basis, current operating income was 34.7% (€37 million), higher compared with HY 2011. This primarily reflects non-recurring accounting adjustments in 2011 related to the acquisition of International Power, partially offset by the decrease in EBITDA.

Middle East, Turkey & Africa. Current operating income for Middle East, Turkey & Africa for HY 2012 of €128 million on a reported basis was €13 million or 11.3%, higher compared with HY 2011 on a reported basis.

On an organic basis, current operating income was 15.8% (€17 million) higher compared with HY 2011, reflecting the reduction in depreciation of the Hidd Power Company (Bahrain) plant after its recognition in assets classified as held for sale. The power plant is now accounted for by the equity method following its partial disposal.

Asia. Current operating income for Asia for HY 2012 of €145 million on a reported basis was €22 million or 17.9%, higher compared with HY 2011 on a reported basis.

On an organic basis, current operating income was 4.5% (€6 million) higher compared with HY 2011, despite higher depreciation expenses recorded by Senoko.

Australia. Current operating income for Australia for HY 2012 of €128 million on a reported basis was €51 million or 66.2%, higher compared with HY 2011 on a reported basis.

On an organic basis, current operating income was 28.4% (€24 million) higher compared with HY 2011. The increase relates mainly to depreciation and accounting adjustments booked on non-recurring items in 2011 related to the acquisition of International Power.

Energy Europe

On January 1, 2012, we created the Energy Europe business line. For a description of our operating segments and the segmental reporting changes effective January 1, 2012, see "—Segment Reporting—Current Segment reporting as from January 1, 2012" above.

The discussion below regarding HY 2012 and HY 2011 reflect our new segment reporting as of January 1, 2012 and results of operations for HY 2011 for the relevant operating segments have been restated to reflect the new segment reporting. As our FY 2011, FY 2010 and FY 2009 results of operations have not been so restated, the presentation of our results of operations for HY 2012 and HY 2011 discussions is not comparative to the FY 2011, FY 2010 and FY 2009 presentations of the Energy International operating segment.

The table below sets forth the revenues, EBITDA and current operating income for our Energy Europe operating segment in HY 2011 and HY 2012:

	HY 2012			HY 2011			
	Total[1]	o/w Central Western Europe (CWE)	o/w Other Europe	Total[1]	o/w Central Western Europe	o/w Other Europe	% change (reported basis)
	(in millions of €)			(in millions of €)			
Revenues	24,269	19,620	4,649	21,323	17,363	3,960	13.8%
EBITDA (A)	2,485	2,031	523	2,252	1,733	571	10.3%
Depreciation, amortization and provisions (B)	(830)	(607)	(222)	(808)	(580)	(226)	
Share-based payment (C)	(8)	(7)		(10)	(8)		
Current operating income = A + B + C	**1,647**	**1,417**	**301**	**1,434**	**1,145**	**345**	**14.9%**

(1) Including Branch costs.

Revenues

HY 2012 compared with HY 2011. Revenues for the Energy Europe operating segment for HY 2012 of €24,269 million were €2,946 million, or 13.8%, higher compared with HY 2011.

- CWE. Revenues for the Central Western Europe ("CWE") region for HY 2012 of €19,620 million were €2,257 million, or 13%, higher compared with HY 2011, reflecting strong performances in France, Germany and the Netherlands partially offset by flat sales figures in Belgium.

- Other Europe. Revenues for the Other Europe region for HY 2012 of €4,649 million were €689 million, or 17%, higher compared with HY 2011, reflecting brisk business in Italy and Romania.

Sales of natural gas by Energy Europe totaled 380 TWh, up 8.9% compared with HY 2011. This increase is due mainly to colder weather conditions in HY 2012 compared to HY 2011, despite loss of customers in Business and Key Account segments in Belgium & Germany. In France, we continued to hold around 87% of the retail market for the supply of natural gas and around 62% of the business market in HY 2012 based on TWh.

Electricity sales by Energy Europe rose 11.7% year-on-year to 105 TWh, due mainly to growth in sales in France, as a result of increased electricity production (attributable to wind farms and better hydro conditions than in 2011, which offset lower production by gas power plants due to unfavorable market conditions), and in Germany, due to improved uptime at power facilities. These increases more than offset decreased sales in Belgium and Luxembourg due to the loss of business customers. At June 30, 2012, Energy Europe served over 16 million individual customers for gas and over 5 million for electricity.

EBITDA

HY 2012 compared with HY 2011. EBITDA for Energy Europe for HY 2012 of €2,485 million[2] was €233 million, or 10.3%, higher compared with HY 2011.

- *CWE*. EBITDA for the CWE region for HY 2012 of €2,031 million was €298 million, or 17%, higher compared with HY 2011. The increase was driven by favorable weather conditions, the absence of tariff shortfall in France as opposed to HY 2011 and improvements made to the Group's gas supply conditions, and partially offset by the rise in the rate for accessing the electricity transmission grid in Belgium and the fall in market prices of electricity.

- *Other Europe*. EBITDA for the Other Europe region for HY 2012 of €523 million was €48 million, or 8%, lower compared with HY 2011. This reflected the adverse impact of changes in the scope of consolidation (disposal of G6 Rete Gas in the second half of 2011).

Current operating income

HY 2012 compared with HY 2011. Current operating income for Energy Europe for HY 2012 of €1,647 million[3] was €213 million, or 14.9%, higher compared with HY 2011.

- *CWE*. Current operating income for the CWE region for HY 2012 of €1,417 million was €272 million, or 23.8%, higher compared with HY 2011, in line with EBITDA trends. In France, this increase was partially offset by higher depreciation and amortization expenses (new wind farms) and the impact of provision reversals in 2011.

- *Other Europe*. Current operating income for the Other Europe region for HY 2012 of €301 million was €44 million, or 14.6%, lower compared with HY 2011, reflecting the change in the scope of consolidation as a result of the sale of G6 Rete Gas and otherwise in line with EBITDA trends.

Global Gas & LNG

As of January 1, 2012, Global Gas & LNG now comprises the Exploration & Production activity and the LNG sales business. The gas supplies and key account sales activities have been transferred to Energy Europe. For a description of our operating segments and the segmental reporting changes effective January 1, 2012, see "—Segment Reporting—Current Segment reporting as from January 1, 2012" above.

The discussion below regarding HY 2012 and HY 2011 reflects our new segment reporting as of January 1, 2012 and results of operations for HY 2011 for the relevant operating segments have been restated to reflect the new segment reporting. As our FY 2011, FY 2010 and FY 2009 results of operations have not been so restated, the presentation of our results of operations for HY 2012 and HY 2011 discussions is not comparative to the FY 2011, FY 2010 and FY 2009 presentations of the Global Gas & LNG operating segment.

The table below sets forth the revenues, EBITDA and current operating income for our Global Gas & LNG operating segment in HY 2011 and HY 2012:

	HY 2012	**HY 2011**	**% change (reported basis)**
	(in millions of €)		
Revenues[(1)]	**2,494**	**1,604**	**55.5%**
EBITDA (A)	**1,415**	**1,246**	**13.6%**
Depreciation, amortization and provisions (B)	(674)	(557)	
Share-based payment (C)	(1)	(2)	
Current operating income = A + B + C	**740**	**687**	**7.6%**

[2] Includes approximately €69 million attributable to branch costs.

[3] Includes approximately €71 million attributable to branch costs.

(1) Does not include revenues for intragroup services.

Revenues

HY 2012 compared with HY 2011. Revenues for the Global Gas & LNG business line for HY 2012 of €2,494 million were €890 million, or 55.5%, higher compared with HY 2011 on a reported basis.

Changes in the scope of consolidation had a negative impact of €42 million. The disposal of EFOG in December 2011 was partially offset by the purchase of a 20% interest in Njord in July 2011, while the disposal of Atlantic LNG in December 2011 had no impact on revenues. Changes in exchange rates had a positive impact of €47 million.

On an organic basis, revenues increased by 57.6% (€886 million) compared with HY 2011. The increase in revenue for the Global Gas & LNG business line was mainly driven by growth of the Exploration & Production activity, as well as the LNG activity with:

- a rise in hydrocarbon production levels for the Exploration & Production activity bolstered by production in the Gjøa field in Norway and the impact of higher commodity prices. In HY 2012, total hydrocarbon production increased by 1.1 Mbep to 30.9 Mbep compared with 29.8 Mbep in HY 2011; and

- growth of 11 TWh in external LNG sales with volumes amounting to 31 TWh in HY 2012, representing 34 cargoes, including 20 shipped to Asia (compared to 19 TWh for 21 cargoes in HY 2011, including 10 shipped to Asia), and the impact of higher commodity prices.

EBITDA

HY 2012 compared with HY 2011. EBITDA for the Global Gas & LNG business line for HY 2012 of €1,415 million was €169 million, or 13.6%, higher compared with HY 2011. On an organic basis, EBITDA for HY 2012 was €267 million, or 24.2%, higher compared with HY 2011. Growth was driven by the Exploration & Production activity owing to the positive impact of changes in commodity prices over the period and increased production at the Gjøa field in Norway, as well as improved performance within the LNG activity, especially in Asia.

Current operating income

HY 2012 compared with HY 2011. Current operating income for the Global Gas & LNG business line for HY 2012 of €740 million was €53 million, or 7.6%, higher compared with HY 2011, which was principally due to the same factors contributing to EBITDA, partially offset by higher amortization of E&P related assets.

Infrastructures

The table below sets forth the revenues, EBITDA and current operating income for our Infrastructures operating segment in HY 2011 and HY 2012:

	HY 2012	**HY 2011**	**% change (reported basis)**
	(in millions of €)		
Revenues[1]	**932**	**691**	**35.0%**
EBITDA (A)	**1,718**	**1,669**	**2.9%**
Depreciation, amortization and provisions (B)	(632)	(582)	
Share-based payment (C)	(0)	(2)	
Current operating income = A + B + C	**1,087**	**1,086**	**0.1%**

(1) Does not include revenues for intragroup services.

Revenues

HY 2012 compared with HY 2011. Revenues for the Infrastructures business line for HY 2012 of €932 million were €241 million, or 35.0%, higher compared with HY 2011 on a reported basis. The increase in the contributions from this operating segment to our consolidated revenues reflects the acquisition of new gas storage facilities by Storengy in Germany on August 31, 2011; the growth of transportation, storage and terminal services on behalf of third parties due to an increasingly deregulated market; and higher levels of gas purchase-sale transactions to maintain storage performance.

EBITDA

HY 2012 compared with HY 2011. EBITDA for the Infrastructures business line for HY 2012 of €1,718 million was €49 million, or 2.9%, higher compared with HY 2011 on a reported basis. This was primarily due to the return to cooler weather conditions and was partially offset by increases in wages for existing employees.

Current operating income

HY 2012 compared with HY 2011. Current operating income for the Infrastructures business line for HY 2012 of €1,087 million was stable compared with current operating income for HY 2011 of €1,086 million, reflecting amortization increases relating to new equipment being put into operation and the acquisition of new gas storage facilities by Storengy.

Energy Services

The table below sets forth the revenues, EBITDA and current operating income for our Energy Services operating segment in HY 2011 and HY 2012:

	HY 2012	**HY 2011**	**% change (reported basis)**
	(in millions of €)		
Revenues	**7,392**	**7,087**	**4.3%**
EBITDA (A)	**531**	**540**	**(1.7)%**
Depreciation, amortization and provisions (B)	(150)	(144)	
Share-based payment and net disbursements under concession contracts (C)	(23)	(19)	
Current operating income = A + B + C	**358**	**377**	**(5.0)%**

Revenues

HY 2012 compared with HY 2011. Revenues for the Energy Services business line for HY 2012 of €7,392 million were €305 million, or 4.3%, higher compared with HY 2011.

On an organic basis, revenues for HY 2012 increased 3.6% (€255 million) compared with HY 2011. The increase in revenues was driven in France by 5.3% growth in the activity of the networks, particularly the positive impact of rate increases and the return to colder weather conditions compared to HY 2011. In addition, HY 2012 saw solid growth in installation activities in France and Benelux (5.9% in both regions) and to a lesser extent in services in France (up 2.2%), primarily in the first quarter of 2012. These increases were partially offset by a 4.9% decline in engineering activity in Europe. Despite this decline in engineering activity, engineering activity as a whole nonetheless was able to partially offset the impact of the European downturn in energy investments by expanding its international activities outside Europe.

Energy Services' international business remained stable, growing by 0.8% in HY 2012 compared with HY 2011, experiencing positive growth in Northern Europe and International activities outside Europe but a decrease in Southern Europe).

EBITDA

HY 2012 compared with HY 2011. EBITDA for the Energy Services business line for HY 2012 of €531 million was €9 million, or 1.7%, lower compared with HY 2011.

On an organic basis EBITDA for HY 2012 was 1.9% (€10 million) lower compared with HY 2011. This decrease primarily resulted from a non-recurring impact related to a €17 million indemnification, which positively impacted the EBITDA of the Italian cogeneration activities in HY 2011; the end of certain gas cogeneration contracts in France (resulting in a negative impact of €14 million); the price scissors effect in relation to the cogeneration and heating network rates in France (resulting in a negative impact of €8 million); and narrower margins, especially in engineering.

These items were partially offset by the return of colder weather conditions, the positive impact of the commissioning of the SWIFT drilling rig in May 2011 operated on behalf of Shell, the robust performance of the Oil & Gas activity in the United Kingdom, and the resilience of installation and services activities in Belgium.

Current operating income

HY 2012 compared with HY 2011. Current operating income for the Energy Services business line for HY 2012 of €358 million was €19 million, or 5.0%, lower compared with HY 2011, in line with EBITDA-related developments. The decline was also driven by increased net disbursements under concession contracts, and the difficult macro-economic environment in Europe.

SUEZ Environnement

The table below sets forth the revenues, EBITDA and current operating income for our SUEZ Environnement operating segment in HY 2011 and HY 2012:

	HY 2012	**HY 2011**	**% change (reported basis)**
	(in millions of €)		
Revenues	**7,318**	**7,373**	**(0.7)%**
EBITDA (A)	**1,133**	**1,232**	**(8.1)%**
Depreciation, amortization and provisions (B)	(524)	(529)	
Share-based payment and net disbursements under concession contracts (C)	(149)	(142)	
Current operating income = A + B + C	**460**	**561**	**(18.0)%**

Revenues

HY 2012 compared with HY 2011. Revenues for SUEZ Environnement for HY 2012 of €7,318 million were €55 million, or 0.7%, lower compared with HY 2011.

On an organic basis, revenues for HY 2012 declined 1.4% (€105 million) compared with HY 2011 due principally to a decrease in the International segment revenues for HY 2012, which were down by 9.0% (€196 million) compared with HY 2011 primarily as a result of the delay in completion of the Melbourne facility. This decrease was partially offset by increased activities in North America, Asia-Pacific (China and Australia), Central Europe (Waste Poland) and North Africa (Water and Waste Morocco). Revenues for the Water Europe segment grew 2.5% (€48 million) compared with HY 2011 due to positive price impacts in the three main countries and higher volumes in Chile and Spain, which were partially offset by a slight decline in France. Revenues for the Waste Europe segment increased by 1.4% (€45 million) compared with HY 2011, due to prices in France holding up well, in addition to higher taxes, the reopening of treatment facilities in the United Kingdom that had been shut down in 2011 and a busy six months for construction (France, UK). This increase in the Waste Europe segment was partially offset by a decrease in volumes in line with European industrial output in the second quarter.

EBITDA

HY 2012 compared with HY 2011. EBITDA for SUEZ Environnement for HY 2012 of €1,133 million was €99 million, or 8.1%, lower compared with HY 2011. On an organic basis, EBITDA declined 7.2% (€87 million) in HY 2012 compared with HY 2011.

This was driven principally by worsening economic conditions for the Waste Europe segment (down 14.6%), reflected in a 3.2% drop in volumes treated during the period, a decrease in the activity of the international segment and plant construction cost overruns in the Melbourne facility. Excluding these cost overruns, EBITDA for SUEZ Environnement's International segment fell 6.3% in HY 2012 compared with HY 2011, driven primarily by the slowdown in Degrémont's business (North Africa & the Middle East), partially offset by positive volume and price impacts in North America, China and Australia.

This decline in EBITDA in the International segment for HY 2012 compared with HY 2011 was partially offset by a 3.4% increase in EBITDA for SUEZ Environnement's Water Europe segment as a result of buoyant performance in Chile by Agbar– both in terms of volumes and prices. In addition, positive indexes relevant to price formulas applied to slightly higher volumes in Spain and slightly lower volumes in France. Moreover, €60 million in savings have been achieved during HY 2012 through the Compass cost reduction program, mainly by optimizing operating performance, purchasing and overhead costs.

Current operating income

HY 2012 compared with HY 2011. Current operating income for SUEZ Environnement for HY 2012 of €460 million was €101 million, or 18%, lower compared with HY 2011. This was primarily driven by the recognition of additional provisions totaling €83 million in the second quarter of 2012 for construction cost overruns in Melbourne and the slowdown in the Waste Europe segment.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal source of cash has been, and is expected to continue to be, cash generated from operations. Our industry is capital intensive and requires us to make significant, long-term capital expenditures and commitments with respect to electricity and power generation assets, exploration and production assets and infrastructure assets. In light of this, capital expenditures in some years may exceed cash flows from operations, which we would typically expect to cover through cash provided by external borrowings. Cash flow may also be provided through the disposal of certain assets. Free cash flow in FY 2011 was €8,826 million, compared with €7,840 million in FY 2010, in line with the evolution of EBITDA over the period. Free cash flow in HY 2012 was €4,704, compared with €4,464 in HY 2011, in line with the evolution of cash generated from operations before income tax and working capital requirements, which grew less than EBITDA as a result of the impact of provision reversals for long-term employee benefits (relating to employment subsidies). Free cash flow generally reflects cash generated from operations before income tax and working capital requirements, adjusted to account for evolutions in working capital, taxes paid, maintenance expenditures and interests and dividends paid / received.

We believe that the funding available from our operations, external borrowings and other sources will be sufficient to satisfy our working capital and debt service requirements for the next 12 months and the foreseeable future.

As of the date hereof, GDF SUEZ S.A. has a rating of A1/P-1 with negative outlook from Moody's and a A/A-1 with stable outlook rating from Standard & Poor's. A credit rating reflects an assessment by the rating agency of the credit risk associated with particular securities issued or guaranteed by us based on information provided by us and other sources. Credit ratings are not recommendations to buy, sell, or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Each rating agency may have different criteria for evaluating company risk and, therefore, ratings should be evaluated independently for each rating agency. Lower credit ratings generally result in higher borrowing costs and reduced access to capital markets.

We believe that a corporate rating for us below the "A" category or its equivalents would limit our ability to operate efficiently in the international energy markets. Accordingly, we have established our financial policies and capital structure objectives in a manner that we believe would, under normal market conditions, ensure that we maintain ratings at or above "A". In particular, we plan to maintain net debt around 2.5 times our EBITDA by end of 2012, and less than or equal to approximately 2.5 times our EBITDA over the period 2013 - 2015, and seek to achieve this ratio in part through the increase in the portfolio optimization program from €10 billion to €13 billion, as discussed above under "—Factors Affecting Results of Operations –Portfolio Optimization" and a scrip dividend as discussed below under "—Dividend Policy."

Dividend Policy

GDF SUEZ seeks to have a dynamic dividend distribution policy. Our current objective is to provide our shareholders with a stable or growing dividend over 2012 to 2015. This objective does not, however, constitute a commitment by us, and future dividends will be assessed on a year-by-year basis depending on our performance, financial position and any other factor considered relevant by the Board of Directors when preparing its proposals to the Shareholders' Meetings.

On November 15, 2011, we distributed an interim dividend of €0.83 per share for 2011, identical to the interim dividend paid for 2010.

In connection with financing for the buyout of International Power minority interests, it has been proposed to GDF SUEZ shareholders to have the possibility of receiving the balance of the dividend for fiscal year 2011 and the interim dividend for the fiscal year 2012 in the form of shares. Our two largest shareholders have indicated that they will opt to receive this dividend in the form of shares. On April 23, 2012, our shareholders' meeting resolved that a €1.50 dividend per share would be paid for 2011 and gave shareholders the choice as to whether the remaining €0.67 per share would be paid in cash or stock. €341 million was paid in cash and €1,134 million was paid in stock (i.e., 77%). On October 25, 2012, GDF SUEZ will pay an interim dividend of €0.83/share for fiscal year 2012 whose ex-dividend date is set for September 25, 2012.

On October 25, 2012, GDF SUEZ will pay an interim dividend of €0.83/share for fiscal year 2012 whose ex-dividend date is set for September 25, 2012. In connection with financing for the buyout of International Power minority interests, GDF SUEZ shareholders will exceptionally have the possibility of receiving this interim dividend in the form of shares.

Cash Flow Analysis

As is typical in our industry, our business is capital intensive and we have historically used our cash principally for capital expenditures.

The following table sets forth our cash flow statement for HY 2012, HY 2011, FY 2009, FY 2010 and FY 2011.

	HY 2012	HY 2011	FY 2011	FY 2010	FY 2009
	(in millions of €)				
Cash Flow from Operating Activities	7,048	6,847	13,838	12,332	13,628
Cash Flow Used in Investing Activities	(4,065)	(3,188)	(7,905)	(7,783)	(8,177)
Cash Flow Used in Financing Activities	656	(4,353)	(2,496)	(3,683)	(4,282)
Cash and Cash Equivalents at the beginning of the period	14,675	11,296	11,296	10,324	9,049
Cash and Cash Equivalents at the end of the period	18,318	10,372	14,675	11,296	10,324

Cash flow from operating activities.

HY 2012 and HY 2011. Our net cash inflow from operating activities amounted to €7,048 million in HY 2012, compared with €6,847 million in HY 2011. Rate of increase in cash flow from operating activities was less than the rate of change of EBITDA (EBITDA included the impact of provision reversals for long-term employee benefits (related to employment subsidies). Working capital requirements in HY 2012 rose €1,114 million as from December 31, 2011, reflecting the seasonality of our operations.

FY 2009, FY 2010 and FY 2011. Our net cash inflow from operating activities amounted to €13,838 million in FY 2011, compared with €12,332 million and €13,628 million in FY 2010 and FY 2009, respectively. Evolutions in cash flow in each of the relevant period are generally in line with the evolution of EBITDA, impacted by working capital requirements. Working capital requirements in FY 2011 rose €426 million reflecting advances in our businesses as well as an increase in stock due to sharply contrasting weather conditions, with mild weather in 2011 and particularly cold weather one year earlier. In FY 2010, while operating working capital requirements rose as a result of favorable weather conditions at the end of the year and its impact on trade receivables, this rise was partially offset by a fall in working capital requirements related to margin calls and derivative instruments. In FY 2009, net improvements in working capital requirements, including as a result of margin calls and commodity derivative instruments relate principally to the positive impact of trade and other receivables and a relative fall in energy prices in comparison with end-2008.

Cash flow from investing activities

HY 2012 and HY 2011. Our net cash flow from investing activities amounted to €4,065 million in HY 2012, compared with €3,188 million in HY 2011. The cash outflows in HY 2012 represent the acquisition of property, plant and equipment and intangible assets, the acquisition of controlling interest in entities net of cash and cash equivalents acquired, the acquisition of investments in associates and joint ventures or available-for-sale securities. Those acquisitions are described below under " – Capital Expenditure" with two differences which are the cash and cash equivalents acquired (€18 million) and the acquisitions of additional interests in controlled entities (€177 million). The cash inflows represent mainly the disposals in the relevant periods described below and interest or dividends received on financial assets.

Disposals in HY 2012 totaled €370 million and essentially related to the sale of Eurawasser by SUEZ Environnement (€95 million), and Hidd Power Company (€87 million) and the Choctaw plant (€74 million).

For a further description of the above disposals, see "—Acquisitions/Disposals – Other Acquisitions/Disposals in Periods under Review."

FY 2009, FY 2010 and FY 2011. Our net cash flow from investing activities amounted to €7,905 million in FY 2011, compared with €7,783 million and €8,177 million in FY 2010 and FY 2009, respectively. The cash outflows in FY 2011, FY 2010 and FY 2009 represent the acquisition of property, plant and equipment and intangible assets, the acquisition of controlling interest in entities net of cash and cash equivalents acquired, the acquisition of investments in associates and joint ventures or available-for-sale securities. Those acquisitions are described below under " – Capital Expenditure" with two differences which are the cash and cash equivalents acquired (€521 million, €548 million and €111 million for 2011, 2010 and 2009 respectively) and the acquisitions of additional interests in controlled entities (€122 million and €505 million for 2011 and 2010 respectively). The cash inflows represent mainly the disposals in the relevant periods described below and interest or dividends received on financial assets.

Disposals in FY 2011 totaled €2,837 million and essentially related to the disposal of a portion of our shareholdings in inter-municipal companies (€723 million); the disposal of shares in GDF SUEZ LNG Liquefaction (€608 million) and G6 Rete Gas (€388 million).

Disposals in FY 2010 represented €2,903 million and essentially related to the sale of shareholdings in Fluxys and Fluxys LNG (€661 million), Adeslas (Agbar's health business for €336 million), Elia (€312 million) and VNG in Germany, along with restructuring measures linked to the controlling interests acquired by us in electricity businesses in Chile and the unwinding of cross-holdings held by SUEZ Environnement and Veolia in water management companies in France.

Disposals in FY 2009 represented €2,371 million and essentially relate to the sale of an interest of 250 MW in certain nuclear power plants (€200 million), the sale of shareholdings in SPE (€600 million), and the partial sale of shareholdings in Walloon inter-municipal companies (€500 million), Fluxys (€100 million) and the sale of Gas Natural shares (€300 million).

For a further description of the above disposals, see "—Acquisitions/Disposals – Other Acquisitions/Disposals in Periods under Review."

Cash flow from financing activities.

HY 2012 and HY 2011. Our net cash inflow from financing activities amounted to €656 million in HY 2012, compared with outflow €4,353 million in HY 2011. The net cash inflows in HY 2012 were primarily attributable to cash outflows from dividends and interest paid (€2,322 million) and repayment of borrowings and debt (€5,060 million)being offset by increased inflows related to increases in borrowing and debt (€6,882 million) and changes in financial assets at fair value (€1,887 million).

FY 2009, FY 2010 and FY 2011. Our net cash outflow from financing activities amounted to €2,496 million in FY 2011, compared with outflow €3,683 million and outflow €4,282 million in FY 2010 and FY 2009, respectively. The net cash outflows in FY 2011 were primarily attributable to cash inflows related to increases in borrowing and debt (€8,114 million) and changes in ownership interests in controlled entities (entry of non-controlling shareholders in our E&P business (€2,297 million) and GRTgaz (€800 million) being offset by increased outflows from dividends paid (€4,363 million), changes in financial assets at fair value (€1,146 million) and repayment of borrowings and debt (€6,517 million). The net cash outflows in FY 2010 were primarily attributable to inflows from increase in borrowings (€8,709 million) and debt offsetting outflows for repayment of borrowings (€7,424 million) and debt as well as cash flows related to in interest paid, increase in financial assets at fair value, increase in capital, acquisitions of treasury stock and the issuance of deeply subordinated notes by SUEZ Environnement (€742 million). The net cash outflows in FY 2009 were primarily attributable to inflows from increase in borrowings and debt (€14,887 million) offsetting outflows for repayment of borrowings (€12,897 million), dividends (€4,028 million), change in financial assets at fair value through income (€993 million) and interest paid (€1,293 million).

Capital Expenditure

We define capital expenditure (capex) as investments in tangible, intangible and financial assets. Given the scale and complexity of the projects we undertake, there is typically a lag of several years between our investment and the generation of revenues and cash flow from that investment.

The following table sets forth our capital expenditure for HY 2012 and HY 2011.

	HY 2012	**HY 2011**
	(in millions of €)	
Energy International	1,385	1,013
Energy Europe	1,220	1,048
Global Gas & LNG	316	207
Infrastructures	754	720
Energy Services	224	201
SUEZ Environnement	785	928
Other	24	71
Total Capital Expenditure[1]	4,709	4,189

(1) Financial investments included in this table exclude cash and cash equivalents acquired, but include the acquisitions of additional interests in controlled entities which are accounted for in cash flows used in financing activities in the statement of cash flows.

On January 1, 2012, we reorganized our energy businesses by creating two business lines, Energy International and Energy Europe, and redefining the scope of the Global Gas & LNG business line. For a description of our operating segments and the segmental reporting changes effective January 1, 2012, see "—Segment Reporting—Current Segment reporting as from January 1, 2012" above. The discussion above regarding HY 2012 and HY 2011 reflects our new segment reporting as of January 1, 2012 and capital expenditure for HY 2011 for the relevant operating segments has been restated to reflect the new segment reporting. As our FY 2011, FY 2010 and FY 2009 capital expenditure below has not been so restated, the presentation of our capital expenditure above for HY 2012 and HY 2011 discussions is not comparative to the FY 2011, FY 2010 and FY 2009 presentations of capital expenditure below.

The following table sets forth our capital expenditure for FY 2009, FY 2010 and FY 2011.

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	510	791	925
Energy Europe & International	4,336	4,734	4,668
Global Gas & LNG	649	1,149	1,147
Infrastructures	2,672	1,787	1,948
Energy Services	551	623	621
Suez Environnement	1,916	2,350	1,459
Other	114	472	392
Total Capital Expenditure[1]	10,748	11,906	11,160

[1] Financial investments included in this table exclude cash and cash equivalents acquired, but include the acquisitions of additional interests in controlled entities which are accounted for in cash flows used in financing activities in the statement of cash flows.

HY 2012. Capital Expenditure totaled €4,709 million in HY 2012 and included financial investments (€660 million), primarily relating to the acquisition of non-controlling interests in AES, development expenditure totaling (€2,681 million) principally invested by the Energy International business line to build power plants in Brazil (Jirau) and Peru (Chilca and Quitaracsa), and by the Energy Europe business line to build two coal power plants in Wilhelmshaven and Maasvlakte, and maintenance expenditure of €1,368 million.

FY 2011. Capital expenditure totaled €10,748 million in FY 2011 and included financial investments (€1,850 million), concerning mainly storage facilities in Germany (€915 million), the Acea transaction (€217 million), Sita Australia's acquisition of shares in WSN Environmental Solutions (€174 million), development expenditure (€5,405 million), principally incurred by the Energy Europe & International operating segment and maintenance expenditure of €3,493 million.

FY 2010. Capital expenditure totaled €11,906 million in FY 2010 and included financial investments (€2,614 million), including the acquisition of Agbar shares by SUEZ Environnement (€666 million), the exercise of the option on Gaselys shares (€302 million), the acquisition of shares in Nord Stream (€238 million), the acquisition of shares in Astoria (€184 million), development expenditure (€6,042 million), concerning mainly Energy International Projects: the hydro power Jirau project in Brazil (€612 million), the cold power plant in Wilhelmshaven, Germany (€432 million) and the gas power plant Gheco One in Thailand (€389 million) projects and maintenance expenditure of €3,250 million.

FY 2009. Capital expenditure totaled €11,160 billion in FY 2009 and included financial investments (€1,514 million), including the acquisition of shares in Stadtwerke Wuppertal in Germany (€200 million), the acquisition of minority interests in Reti in Italy (€100 million), the acquisition of Heron in Greece (€100 million), and the acquisition of shares in Izgaz in Turkey (€100 million), a capital increase carried out by Gas Natural for €300 million (in which shares were subscribed for by SUEZ Environnement and Genfina), development expenditures totaling €6,464 million and maintenance expenditure of €3,182 million.

For further detail, see Note 1.5 of our FY 2011 and FY 2010 financial statements.

Anticipated Capital Expenditure

Our strategy is supported by an investment portfolio which includes a range of investment opportunities capitalizing on accelerated industrial development in fast-growing countries, confirmed by the combination with International Power plc, and sustained by our key positions in mature European markets. Our investment portfolio anticipates gross capital expenditure of approximately €10-11 billion in FY 2012 (excluding our buyout of minority interests in International Power plc) and approximately €9-11 billion per year over 2013 - 2015 through which, among our goals, we seek (i) with respect to power, to have installed electricity power capacity of 150 GW (at 100%) by 2016 with 90 GW of this outside Europe and 50% increase in renewable energy capacity by 2015 (compared with FY 2009 levels); (ii) with respect to gas, to produce approximately 65 Mboe in Exploration and Production by 2014 – 2015 and to double external LNG sales to emerging markets by 2020 (as compared to FY 2010, when sales to emerging markets were 34 TWh) and (iii) with respect to services, to increase energy efficiency revenues by 40% by 2016-2017 (as compared to FY 2010), to increase smart water meters by 150% by 2014 to 2 million and to reach a ratio of 2 million tons of waste recovered for every 1 million ton eliminated by 2017.

Our opportunities and projects for which estimates of capital expenditure have been included could be delayed or postponed in implementation, reduced in scope or ownership share, sold or rejected. Accordingly, the figures for the periods indicated are only estimates and our actual capital expenditure will change based on changes in the market environment or decisions by our Board of Directors and management, who we expect to seek to exploit changes in our business environment as and when they occur. As a result, we may not fully pursue all of the opportunities and projects currently available to us or which we are currently considering. Further, we may pursue other projects currently not envisaged.

Investors should further be aware that our estimates of capital expenditure have been prepared on the basis of various assumptions. These assumptions include estimates relating to expenditures for materials, equipment, labor and services that in most cases have yet to be contracted and/or may be subject to cost escalation or other factors outside of our control. In addition, some of the expenditures are contingent upon our receipt of certain licenses, permits and government and partner approvals which, in some cases, may not have been received to date. As a result, the final amount of capital expenditure required could be higher or lower than that set out above. Consequently, such projects or opportunities may not ultimately be as profitable as we currently anticipate or may turn out to be unprofitable. See also "Risk Factors – "Risks affecting organic growth transactions and major projects" and "—Forward Looking Statements"

Debt Position

At June 30, 2012, our net debt (debt including amortized costs, the effects of financial derivative instruments and cash collateral) was €45.1 billion, which was €7.5 billion higher than as at December 31, 2011 (€37.6 billion).

Since June 30, 2012, we have:

- tendered 95.8% of the 7.25% bond issued by IP Finance (2010) Ltd. for consideration of €299.1 million;
- drawn €1,000 million on the bridge facility for the acquisition of the non-controlling interests in International Power plc;
- completed a €1,500 million bond issue (carried out to finance the acquisition of non-controlling interests in International Power plc),
- purchased on July 13, 2012, for €620 million, 118 million International Power shares that had been created following the conversions carried out between July 1, 2012 and July 10, 2012 by the holders of bonds convertible into International Power shares (the "International Power Convertible Bonds") and on September 11, 2012, purchased, for €1,208 million, a further 228 million International Power shares that had been created following the conversions carried out between July 11, 2012 and August 28, 2012 by the holders of International Power Convertible Bonds (which together led to a €718 million rise in net debt and a €345 million reduction in total shareholders' equity),
- priced a 450 million Swiss Franc (approximately €370 million) issue. See "—Current Trading and Prospects— Significant Events Since June 30, 2012" above,
- completed a €400 million private placement of 2.5% bonds due 2020, and
- completed a JPY 10 billion private placement of 1.26% bonds due 2022.

During HY 2012, changes in the scope of consolidation led to a €7,146 million increase in net debt, affected by the purchase of non-controlling interests in International Power plc (which led to an increase of €7,974 million in net debt) as well as disposals, reclassification of certain assets as "assets classified as held for sale" and other changes in the scope of consolidation carried out as part of the "portfolio optimization" program described above under "Factors Affecting Results of Operations – Portfolio Optimization."

Changes in exchange rates during HY 2012 resulted in a €392 million increase in net debt (including €251 million in relation to the US dollar).

The following table sets forth the breakdown of undiscounted contractual payments on our net debt (including the impact of derivatives and amortized cost) by maturity as at June 30, 2012:

	Total at June 30, 2011	2012	2013	2014	2015	2016	Beyond 5 years
			(in millions of €)				
Borrowings and Debt in Respect of International Power's Non-Controlling Interests(1)	**7,974**	**7,875**	**0**	**0**	**99**	**0**	**0**
Bond issues	30,877	1,236	1,350	2,980	2,856	2,630	19,824
Commercial paper	5,467	5,291	176	0	0	0	0
Drawdowns on credit facilities	1,911	186	284	102	96	671	572
Liabilities under finance leases	1,383	67	152	142	122	108	792
Other bank borrowings	13,605	1,311	1,642	2,055	1,107	969	6,522
Other borrowings	1,369	248	66	99	70	51	836
Bank overdrafts and current accounts	1,264	1,264	0	0	0	0	0
Outstanding Borrowings and Debt	**55,875**	**9,603**	**3,669**	**5,379**	**4,250**	**4,429**	**28,546**
Financial assets related to debt instruments	(307)	(24)	(219)	(24)	0	0	(40)
Financial assets qualifying or designated as at fair value through profit or loss	(532)	(532)	0	0	0	0	0
Cash and cash equivalents	(18,318)	(18,318)	0	0	0	0	0
Net Debt Excluding the Impact of Derivative Instruments, Cash Collateral and Amortized Cost	44,692	(1,397)	3,450	5,356	4,349	4,429	28,506

(1) Borrowings and debt in respect of International Power's non-controlling interests were settled in cash and loan notes on July 12, 2012.

The gearing ratio (net debt divided by total equity) was 61.3%, compared with a ratio of 46.8% at June 30, 2012. At June 30, 2012, the net debt was 55% denominated in Euro, 21% in US dollars and 6% in Brazilian real, excluding amortized cost and the €7,974 million impact of the commitment to buy-back 30% of non-controlling interest in International Power plc but after the foreign exchange impact of derivatives. After the impact of derivatives, 87% of the net debt was at a fixed rate. The average maturity of net debt (excluding the €7,974 million impact of the commitment to buy-back 30% of non-controlling interest in International Power plc) at June 30, 2012 was 11.2 years.

Gross debt (including bank overdrafts and amortized cost) amounted to €66.2 billion on June 30, 2012, an increase of €9.3 billion compared with December 31, 2011, and was primarily made up of €30.9 billion in bond issues and €18.3 billion in bank loans (including finance leases). On June 30, 2012, the average cost of gross debt stood at 4.48% versus 4.57% at December 31, 2011.

Short-term loans (commercial paper plus draws on credit lines) accounted for 11.6% of total gross debt at December 31, 2011. On June 30, we had total undrawn confirmed credit lines (usable, among other things, as back-up lines for the Commercial Paper programs) of €20 billion. Of these lines, 78% are managed centrally and are not subject to any credit ratio or credit rating. At June 30, 2012, none of these centralized lines was utilized. The counterparties of these lines are well diversified, with no single counterparty holding more than 7% of the total of these pooled lines. We have also set up credit lines in some subsidiaries, for which the documentation includes ratios related to their financial standing. The definition, as well as the level of these ratios, also known as "financial covenants", are determined by agreement with the lenders and may be reviewed during the life of the loan. The most frequent ratios are:

Debt Service Cover Ratio = Free Cash Flow/ (Principal + interest expense) or for servicing interest (Interest Cover Ratio = EBITDA/interest expense);

Loan Life Cover Ratio (= adjustment of the average cost of the future Free Cash Flows debt divided by the borrowed amount still owed);

Debt/Equity ratio or maintenance of a minimum amount of equity.

Since January 1, 2009 (in the periods under review), there has been no default of payment on our consolidated debt. As of June 30, 2012, all the companies in the Group are compliant in all material respects with the covenants and representations appearing in their financial documentation, except one company in the Energy International business line that failed to comply with a financial covenant. No default has been claimed by the counterparties; a waiver is currently being discussed, and this default has, and in case of acceleration would have, no impact on the lines accessible to GDF SUEZ SA.

GDF SUEZ has a €25 billion Euro Medium Term Notes program, which was approved on the annual update by the AMF on September 13, 2012. The Company also has short term financing programs (French commercial paper and US Commercial Paper): a €5 billion French commercial paper program and a US Commercial Paper program in place for US $4.5 billion (at June 30, 2012, the amount of commercial paper outstanding was €5,467 million).)

In FY 2010, SUEZ Environnement issued €750 million (excluding issuance costs) in deeply-subordinated, perpetual hybrid notes. These notes are subordinated to all senior creditors, and have an initial fixed coupon of 4.82% for the first five years.

In order to comply with British regulatory requirements for the acquisition of the non-controlling interests in International Power plc, we put in place a €6 billion dedicated syndicated credit facility on May 4, 2012. No drawdowns were carried out on this credit line at June 30, 2012. The amount of this facility was reduced to €3 billion after the €3 billion bond issue carried out on May 22, 2012, which was issued in three tranches of €1 billion each: 1.5% notes due February 2016; 2.25% notes due June 2018; and 3% notes due February 2023. The amount of this facility was further reduced after the €1.5 billion bond issue carried out on July 10, 2012, with the remaining amount drawn or available under the facility of €1.5 billion. (See "—Current Trading and Prospects – Significant Events Since June 30, 2012" above.)

Variable interest rate swaps were used to hedge a portion of the May 22, 2012 bond issue. The average cost of this bond issue was therefore reduced to 1.83% during the first half of 2012.

In addition, we carried out the following transactions during HY 2012 in connection with our current financing transactions:

- GDF SUEZ redeemed the remaining €1,140 million of the €1,750 million bond issue paying interest of 4.375% which expired on January 16, 2012. (In 2010, €610 million worth of these bonds were redeemed);

- on June 11, 2012, SUEZ Environnement Company launched a tender offer for its 4.875% bonds due 2014, issued in 2009. At the close of the transaction, €191 million in bonds had been redeemed. On the same day, SUEZ Environnement Company issued €250 million in 4.125% bonds due June 2022.

Furthermore, the Group also paid off in advance of term some bank debts of International Power's North American affiliates for an amount of $514 million (€397 million).

The bank debt expiring at the end of June 2012 for the Australian-based entities of the business line Energy International was refinanced in HY 2012, with one facility's debt internally refinanced by the Group and one project's debt refinanced through a new syndicated bank loan expiring on June 30, 2017. See Note 6.3.2.3 to our HY 2012 financial statements.

Contractual Obligations

The following table summarizes our contractual obligations as at December 31, 2011 and the related amounts falling due in each of the periods presented:

	Payment due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	(in millions of €)			
Long-Term Debt Obligations	54,568	12,163	16,461	25,943
Capital Lease Obligations	1,879	206	737	936
Operating Lease Obligations	4,629	812	1,950	1,867
Pension Payments – defined benefit plans (1)	5,195	239	4,956	
Purchase Obligations on Property, Plant & Equipment and Intangibles including capital lease agreements (1)	6,860			
Total	71,131			

(1) We do not disclose when these types of contractual obligations fall due beyond that which is set forth in the table above.

CERTAIN FUTURE COMMITMENTS

In the ordinary course of their business, our 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.

The table below shows the main future commitments arising from contracts entered into by the Global Gas & LNG, Energy France and Energy Europe & International business lines at December 31, 2011:

	Total	Less than 1 year	1-5 years	More than 5 years
	(expressed in TWh)			
Firm Purchases	(10,005)	(983)	(3,059)	(5,963)
Firm Sales	2,099	487	686	2,115

The financial impact of these commitments will ultimately depend on the fluctuation of the relevant commodities.

OFF-BALANCE SHEET COMMITMENTS

We do not engage in the use of special purpose entities for off-balance sheet financing or any other purpose which results or may result in material assets or liabilities not being reflected in our consolidated financial information. We do use certain off-balance sheet arrangements with unconsolidated third-parties in the ordinary course of business, including indemnification agreements, financial and performance guarantees and other arrangements under which we have or may have continuing obligations. Certain such arrangements are described in detail in Notes 11.2, 11.3 and 21 of our FY 2011 financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those policies or estimates which are particularly significant in presenting our results of operations and include those that involve complex and subjective interpretations of IFRS and other judgments and the use of assumptions, some of which may be inherently uncertain or susceptible to change. The effect of these judgments and the assumptions we make could potentially result in materially different results from that which would otherwise occur using different interpretations, judgments and assumptions. The policies presented in this section are therefore particularly critical to an understanding of our financial information, and the application of our critical accounting policies and the sensitivity of our reported results to changes in conditions and assumptions are factors to be considered in reviewing our consolidated financial information and the discussions of our results of operations and financial condition in this section and elsewhere in the Offering Memorandum.

For information regarding our critical accounting policies and key estimates used in preparing our financial statements, see Note 1, in particular Note 1.4 and Note 1.5 to our FY 2011 financial statements and Note 1.2 to our HY 2012 financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding market risks impacting our results of operations, see Note 15.1 of our FY 2011 financial statements and Note 7.1 of our HY 2012 financial statements.

BUSINESS

Overview

We are one of the world's leading energy companies and a benchmark in the fields of gas, electricity, energy services and the environment.

We operate throughout the entire energy value chain, in electricity and natural gas, upstream to downstream, in purchasing, production and marketing of natural gas and electricity; transmission, storage, distribution, operation and development of major natural gas infrastructures; energy services and services related to environmental management (water, waste).

Our business model is well-balanced with complementary activities across the value chain. Our revenues are balanced between gas, electricity and services and we operate in regions exposed to different business and economic cycles, with a strong presence in emerging markets. We are also balanced between activities exposed to market uncertainties and others that offer recurring revenues (infrastructure, power purchase agreements (PPAs), water regulated activities, etc). Finally, we have a balanced energy mix including low- and zero-carbon energy sources.

In order to respond to the current economic and competitive environment, which requires adapting the traditional model of the geocentric European utility, our development strategy is focused on (i) accelerating development in emerging markets in power generation, LNG and exploration and production operations; (ii) integrating and optimizing activities in Europe; and (iii) developing activities with recurring revenues (infrastructure, secured long-term energy sales (PPA), energy services and environment).

Our position in the European and global energy landscape was strengthened by the combination of GDF SUEZ Energy International[4] with International Power plc in February 2011.

Through our offers to industrial and commercial customers, we have kept a substantial market share in our traditional markets and have established ourselves as a major player in continental Europe's largest markets. We are now a leading player on the European markets. In 2010, we were ranked the world's largest listed utility in Forbes' annual ranking of the 2,000 largest listed global companies (24th in the general category, 3rd French company).

We are listed in Brussels (Belgium), Luxembourg and Paris (France), and represented in the following international indices: CAC 40, BEL 20, DJ Stoxx 50, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe and ASPI Eurozone. Following our deregistration with the SEC on October 30, 2009, we also maintain an unlisted Level 1 ADR Program.

History and Evolution of the Company

GDF SUEZ is the result of the merger-absorption of SUEZ by Gaz de France, following the decision of the Combined General Shareholders' Meetings of Gaz de France and SUEZ of July 16, 2008. The merger took effect on July 22, 2008.

Incorporated in 1946 as an EPIC (French public industrial and commercial enterprise), Gaz de France became a limited liability company with a 99-year term under Law no. 2004-803 of August 9, 2004 on the electricity and gas public service and electricity and gas companies (amending Law no. 46-628 of April 8, 1946) whose provisions aimed at organizing the change in its legal status. Unless we are previously dissolved or wound-up or our term is extended, we will cease operations on November 19, 2103.

SUEZ itself was the result of the merger of Compagnie de Suez and Lyonnaise des Eaux in 1997. At that time, Compagnie de Suez − which had built and operated the Suez Canal until its nationalization by the Egyptian government in 1956 − was a holding company with diversified stakes in Belgium and France, particularly in the finance and energy sectors. Lyonnaise des Eaux was a diversified company in the fields of management and treatment of water, waste, construction, communications and technical facility management. SUEZ became an

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4 GDF SUEZ Energy International comprises the activities of the Energy Europe & International business line outside Europe and certain assets in the UK and Turkey.

international industrial and services group whose objective was to meet essential requirements in electricity, gas, energy and industry services, water and waste management.

The deregulation of European energy markets in the early 1990s promoted the international development of both Gaz de France and SUEZ, which progressively expanded their activities beyond their respective traditional markets, both in Europe and internationally.

On July 7, 2005, Gaz de France publicly floated its shares on the stock market. Law 2004-803 of August 9, 2004, as amended by Law 2006-1537 of December 7, 2006 governing the energy sector, providing that the French State hold no more than a third of the Company's share capital from henceforth, and Decree 2007-1784 of December 19, 2007 authorized the transfer of Gaz de France from the public to the private sector. On July 22, 2008, Gaz de France absorbed SUEZ in a merger, which entailed transferring the majority of Gaz de France's share capital to the private sector. The resulting company took the name "GDF SUEZ".

The approval of the merger by the European Commission on November 14, 2006 was conditional on the implementation of remedial action in certain areas. The main remedies required for EC approval were duly carried out.

We have our head office at 1 Place Samuel de Champlain, 92400 Courbevoie, France. Our phone number is +33 (0) 1 44 22 00 00. We are listed in the Paris Trades and Companies Register under reference number 542 107 651. Our NAF (French business sectors) code is 3523Z.

We are a public limited liability company (*société anonyme*) with a Board of Directors subject to the laws and regulations governing public limited companies and any specific laws governing us and our bylaws.

We are subject in particular to Law 46-628 of April 8, 1946 governing the nationalization of electricity and gas, Law 2003-8 of January 3, 2003 governing gas and electricity markets and energy public service, Law 2004-803 of August 9, 2004 governing electricity and gas public service and electricity and gas companies, and Law 2006-1537 of December 7, 2006 governing the energy sector.

Our financial year lasts 12 months and runs from January 1st to December 31st of each year.

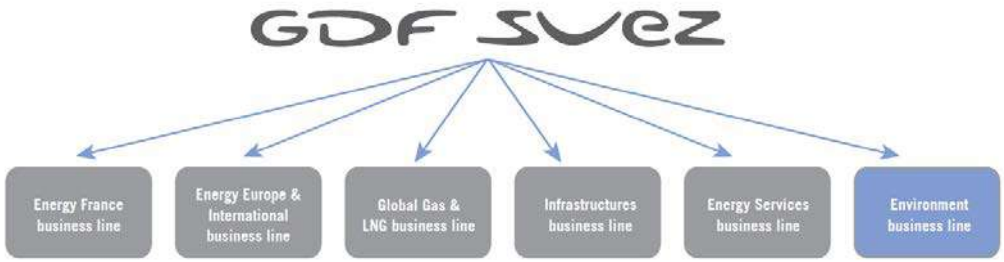
The GDF SUEZ Center (based both in Paris and Brussels) is responsible for strategic orientations and financial performance, and in particular for:

- defining and adapting structures;
- developing broad functional policies (finance, strategy, audit, internal control, risk management, human resources, office of general secretary, legal, communications, research-innovation, performance, information systems, purchasing, safety, etc.);
- controlling and overseeing the implementation of internal policies and procedures;
- steering functional lines;
- steering transversal processes, in particular developing synergies between operating segments;
- and within shared service centers and centers of expertise, steering missions that can be shared by several operating segments.

GDF SUEZ S.A. is an operating company and not simply a holding company vis-à-vis its subsidiaries. At the end of 2011, the number of our direct or indirect subsidiaries (controlling interest) was approximately 2,400. Our main consolidated companies are listed in Note 28 of our FY 2011 financial statements.

Organization

At December 31, 2011, we were organized into six business lines (five energy business lines and one environment business line), sometimes subdivided into segments which are structures that group similar activities in terms of business challenges. Functional divisions provide supervision both at corporate and business line level.



- **Energy France –** subsidiaries in this operating segment produce electricity and sell natural gas, electricity and services to private individuals, small business customers and companies in France;

- **Energy Europe & International Business Line**– Following the acquisition of International Power plc on February 3, 2011, the Energy Europe & International activities were composed of the following operating segments: Benelux & Germany, Europe and International Power.

- Energy Benelux & Germany – subsidiaries in this operating segment produce and sell electricity and/or gas, in Belgium, the Netherlands, Luxembourg and Germany;

- Energy Europe – subsidiaries in this operating segment produce electricity and/or provide electricity and gas transmission, distribution and sales services in Europe (excluding France, the United Kingdom, Benelux and Germany);

- International Power – subsidiaries in this operating segment produce and market electricity in North America, Latin America, Asia, the United Kingdom and other Europe, the Middle East, Africa and Australia, distribute and market gas in North America, Asia, Turkey and Australia; and they are active in LNG import and regasification in North America and Chile and seawater desalination in the Arabian peninsula.

- **Global Gas & LNG –** subsidiaries in this operating segment supply gas to the Group and sell energy and service packages to key European players, using proprietary production as well as long-term gas and LNG contracts;

- **Infrastructures** – subsidiaries in this operating segment operate gas transportation, storage and distribution networks, and LNG terminals, essentially in France and Germany. They also sell access rights to this infrastructure to third parties;

- **Energy Services –** subsidiaries in this operating segment provide engineering, installation, maintenance and delegated management services, particularly in relation to electrical and heating facilities, pipeline systems and energy networks;

- **SUEZ Environnement** – subsidiaries in this operating segment provide private customers, local authorities and industrial customers with: (i) water distribution and treatment services, notably under concession contracts (water management), and water purification facility design and construction services (turnkey engineering) and (ii) waste collection and treatment services including sorting, recycling, composting, landfilling, energy recovery and hazardous waste treatment.

Prior to the consolidation of International Power in FY 2011, we presented our historical operations which became part of the International Power operating segment as three separate geographical segments of Energy Europe & International: North America, Latin America and Middle East, Asia & Africa. Also, in FY 2011, we transferred assets in the United Kingdom and gas distribution activities in Turkey to the International Power operating segment – these were previously presented within Energy Europe segment.

Changes in Segment Reporting as from January 1, 2012

On January 1, 2012, we reorganized our energy businesses by creating two business lines, Energy International and Energy Europe, and redefining the scope of the Global Gas & LNG business line. We are now organized around the following six business lines: the Energy International, Energy Europe, Global Gas & LNG, Infrastructures, Energy Services and Environment business lines.

- **Energy International** – includes the operations of the International Power group. Up until December 31, 2011, these activities were grouped under the International Power operating segment within the Energy Europe & International business line;

- **Energy Europe** –includes (i) the following former operating segments of the Energy Europe & International business line, as described above: the Energy France; Energy Benelux & Germany and Energy Europe business areas; and (ii) the "Gas Supply" and "Key Account Sales" activities within the Global Gas & LNG business line. Energy Europe carries out activities involving distribution of natural gas, electricity production and energy sales in continental Europe. It operates our assets in continental Europe in the fields of gas (excluding infrastructure managed by the Infrastructures business line) and electricity (excluding certain assets historically operated by International Power in Italy, Germany, the Netherlands, Spain and Portugal);

- **Global Gas & LNG** -- includes upstream activities of the natural gas value chain, following the transfer of the "Gas Supply" and "Key Account Sales" activities to Energy Europe. In the area of exploration and production, the business line engages in the exploration, development and operation of oil and gas fields. On the LNG chain, the business line manages a long-term gas supply contract portfolio and interests in liquefaction facilities, operates an LNG fleet, and owns regasification capacities in LNG terminals. Global Gas & LNG is selling a portion of its LNG supply contracts to other Group entities and, in particular, the "gas supply" activity of the Energy Europe business line;

- **Infrastructures** – this operating segment is as described above for the period ending December 31, 2011;

- **Energy Services** – this operating segment is as described above for the period ending December 31, 2011;

- **SUEZ Environnement** – this operating segment is as described above for the period ending December 31, 2011.

Non-Financial Indicators

Electricity production

We own and develop a flexible and efficient generation fleet in our key markets: Europe, Latin America and the Middle East, Asia-Pacific and North America. Our installed capacity as of December 31, 2011 was 117 GW[5] on a 100% basis or 90 GW[6] on a proportional basis and was located 17% (21% on a proportional basis) in Benelux and Germany, 8% (11% on a proportional basis) in France and 22% (23% on a proportional basis) in other parts of Europe, 19% (9% on a proportional basis) in the Middle East, Turkey and Africa, 10% (11% on a proportional basis) to Latin America, 13% (15% on a proportional basis) in North America and 11% (10% on a proportional basis) to Asia-Pacific. Of total assets (on a 100% basis), 57% are natural gas plants, 17% are hydropower plants, 9% are coal-fired plants, 8% are nuclear power plants and 4% are non-hydropower renewables capacity.

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[5] The 100% calculation includes the total capacity of all facilities held by us, irrespective of the actual percentage held, except for drawing rights which are included in the total when we own them and deducted when granted to third parties.

[6] The proportional calculation includes (i) total capacities of fully consolidated companies and (ii) prorated capacities of proportionally consolidated companies and companies accounted for under the equity method.

Our total production during the period ended December 31, 2011 was 465 TWh on a 100% basis or 359 TWh on a proportional basis and was located 18% (23% on a proportional basis) in Benelux and Germany, 7% (10% on a proportional basis) in France and 16% (17% on a proportional basis) in other parts of Europe, 20% (11% on a proportional basis) in the Middle East, Turkey and Africa, 12% (14% on a proportional basis) to Latin America, 10% (12% or proportional basis) in North America and 16% (14% on a proportional basis) to Asia-Pacific. Of total production (100 % basis), 55% comes from natural gas plants, 13% from hydropower, 10% from nuclear, 16% from coal and 3% from non-hydro renewables.

The combined power of our projects under construction at December 31, 2011 was 14.8 GW, of which almost 40% from natural gas plants.

We consider this structure enables robust competitiveness in terms of energy efficiency of power plants, our flexibility, and our environmental impact. Indeed, production capacity comprises efficient technologies and low-pollution fuels. We are pursuing our efforts in this field, and participate in research to improve the efficiency of power plants and curb their local and global environmental impact.

Our centralized electricity generation fleet has a low carbon footprint, with an average 329 kg CO_2/MWh recorded for Europe in 2011, below the 337 kg/MWh European average estimated by PricewaterhouseCoopers (PwC). At the end of 2011, our assessed power plant emissions were 417 kg/MWh worldwide.

Natural gas portfolio

Most of our natural gas is supplied via a diversified portfolio of long-term contracts sourced from more than 10 countries. On December 31, 2011, 53% of our contracts were long-term (on a proportional basis, compared to 42% on a 100% basis) and 35% of our contracts were short/medium term sales (on a financial consolidated basis, compared to 34% on a 100% basis). This allows us to optimize our supply costs by adjusting our purchasing to match our needs.

As of December 31, 2011, our portfolio represented approximately 1,260 TWh (calculated on a financial consolidation basis), or about 115 billion m^3.

Our three largest long-term suppliers are Norway, Russia and Algeria. Calculated on a financial consolidation basis, in 2011 they represented 21%, 13% and 12%, respectively, of our long-term contracts. About 16% of the portfolio consisted of LNG on a financial consolidation basis.

Our natural gas assets are either used to fuel our power plants or sold to end customers, operators or on the markets (28% and 70%, respectively, on a financial consolidation basis).

Financial measures

The tables below sets forth our revenues, EBITDA and current operating income for FY 2011, FY 2010, FY 2009, HY 2012 and HY 2011 by business line. The figures below for HY 2012 and HY 2011 reflect our new segment reporting as of January 1, 2012 and results of operations for HY 2011 for the relevant operating segments have been restated to reflect the new segment reporting. As our FY 2011, FY 2010 and FY 2009 results of operations have not been so restated, the presentation of our results of operations for HY 2012 and HY 2011 are not comparative to the FY 2011, FY 2010 and FY 2009 presentations with respect to the Energy International, Energy Europe and Global Gas & LNG segments. See "Operating and Financial Review and Prospects of GDF Suez – Segment Reporting" for a further description of the relevant changes to our operating segments. See "Business – Organization" for a description of our business lines

Revenues[(1)]

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	13,566	14,982	13,954
Energy Europe & International	36,656	31,770	28,350
Global Gas & LNG	9,936	9,173	10,657

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Infrastructures	1,491	1,203	1,043
Energy Services	14,206	13,486	13,621
SUEZ Environnement	14,819	13,863	12,283
Other	0	0	0
TOTAL REVENUES	**90,673**	**84,478**	**79,908**

(1) After intra-group eliminations.

	HY 2012	HY 2011
	(in millions of €)	
Energy International	8,129	7,601
Energy Europe	24,269	21,323
Global Gas & LNG	2,494	1,604
Infrastructures	932	691
Energy Services	7,392	7,087
SUEZ Environnement	7,318	7,373
Other	0	0
TOTAL REVENUES	**50,535**	**45,678**

(1) After intra-group eliminations.

EBITDA

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	505	1,023	366
Energy Europe & International	7,453	5,831	5,027
Global Gas & LNG	2,386	2,080	2,864
Infrastructures	2,991	3,223	3,026
Energy Services	1,005	923	921
SUEZ Environnement	2,513	2,339	2,060
Other	(328)	(332)	(253)
TOTAL EBITDA	**16,525**	**15,086**	**14,012**

	HY 2012	HY 2011
	(in millions of €)	
Energy International	2,164	2,056
Energy Europe	2,485	2,252
Global Gas & LNG	1,415	1,246
Infrastructures	1,718	1,669
Energy Services	531	540
SUEZ Environnement	1,133	1,232
Other	(209)	(130)
TOTAL EBITDA	**9,236**	**8,865**

Current Operating Income

	FY 2011	FY 2010	FY 2009
		(in millions of €)	
Energy France	70	646	288
Energy Europe & International	4,775	3,937	3,534
Global Gas & LNG	1,164	961	1,450
Infrastructures	1,793	2,071	1,947
Energy Services	655	598	598
SUEZ Environnement	1,039	1,025	926
Other	(518)	(443)	(395)
TOTAL CURRENT OPERATING INCOME	**8,978**	**8,795**	**8,347**

	HY 2012	HY 2011
	(in millions of €)	
Energy International	1,448	1,287
Energy Europe	1,647	1,434
Global Gas & LNG	740	687
Infrastructures	1,087	1,086
Energy Services	358	377
SUEZ Environnement	460	561
Other	(303)	(201)
TOTAL CURRENT OPERATING INCOME	**5,436**	**5,231**

Organization of Activities and Description of Business Lines

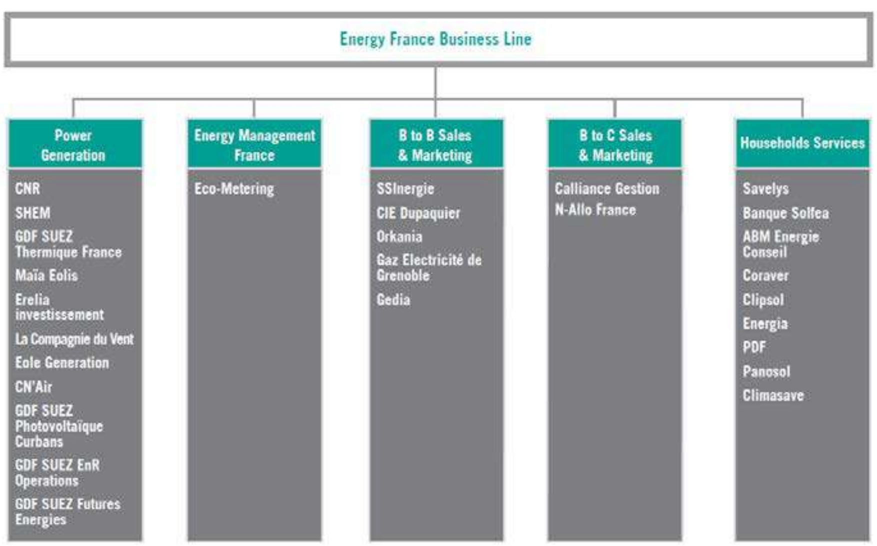
Unless otherwise indicated, the following description of our business lines is structured according to our organization as of December 31, 2011. See "—Overview —Changes in Segment Reporting as from January 1, 2012" above for a further description of the relevant changes to our operating segments as of January 1, 2012 affecting the Energy International, Energy Europe and Global Gas & LNG segments.

Energy France

Overview

Our Energy France business line is a major player in the French energy sector. It carries out a set of activities, from power generation to marketing natural gas, electricity and related energy services. Integrating these activities within the Group, combined with diversified and efficient power assets, enables it to provide its customers with a range of competitive energy and services.

By integrating upstream (electricity) activities with those downstream, the Energy France business line aims at forging a new relationship with energy, based on: (i) the assurance of a production that is diversified, flexible and low in CO_2 emissions; (ii) support for each customer through personalized products and services; (iii) the effective, efficient and controlled use of energy that preserves the environment and resources; and (iv) responsible growth, with the promotion of renewable energy and advice to better manage energy use.



The following tables describe some key figures with respect to our Energy France operations for each of FY 2011 and 2010:

Electricity production capacities (in MW) – data at 100%	2011	2010
Thermal power plants	2,148	2,147
Hydroelectric power plants	3,794	3,728
Other renewable energy sources	1,057	926
Nuclear (drawing rights)*	1,208	1,208
Total	**8,207**	**8,009**

* Includes 100 MW for swaps with SPE and excludes 555 MW for nuclear release contract with EDF.

Electricity sales (in TWh)	2011	2010
Natural gas sales	219.2	292.4
Electricity sales	41.2	36.5

Electricity production (in TWh) - accounting consolidation method	2011	2010
Thermal power plants	8.8	7.7
Hydroelectric power plants	12.0	16.3
Other renewable energy sources	1.6	1.1
Nuclear (drawing rights)	7.8	7.6
Total	**30.2**	**32.7**

Number of customers (in thousands)	2011	2010
Number of energy sites	11,267	11,322
Number of natural gas sites	9,898	10,183
Number of electricity sites	1,368	1,139
Number of boiler maintenance contracts	1,504	1,540

Business Units

Power Generation

We have continued to develop our power generation capacity, with the commissioning of 198 MW, increasing our installed capacity to 8.2 GW at the end of 2011.[7] We are, therefore, the largest French operator of combined cycle gas plants, the second-largest producer of hydroelectric power and the largest wind farm operator in France. Our production base in France is carbon-light, with 74% of facilities having no CO_2 emissions, and includes approximately 60% of renewable energy sources.

- Thermal power

The combined cycle gas plant in Montoir-de-Bretagne (435 MW) was brought into commercial service on January 1, 2011. The four gas combined-cycle plants, grouped under GDF SUEZ Thermal Power France, saw a full year's service in 2011. Thermal power production in 2011 was 8.8 TWh.

- Hydroelectric power

Hydroelectric power production for 2011 (CNR and SHEM) was 12 TWh, sharply down compared with the potential resource due to a very low hydroelectric flow. CNR saw its worst year historically and SHEM saw its lowest hydroelectric flow in the past thirty years.

- Other renewable energy sources

[7] Includes 100 MW for swaps with SPE and excludes 555 MW for nuclear release contract with EDF.

Onshore wind power production

Through our subsidiaries Maïa Eolis, La Compagnie du Vent, Erelia, CN'AIR and Eole Generation, we brought 98 MW of wind production capacity into service during 2011. At the end of 2011, we owned an installed capacity of 1,020 MW in the onshore wind production (909 MW Group share), which made us the wind power leader in France with 16% of the market. We are continuing our wind power development with a 178 MW farm under construction as at December 31, 2011.

In terms of production, 2011 was marked by a significant analyzed wind deficit compared to the average of the past twenty years. Annual wind power generation totaled 1,584 GWh in 2011.

Photovoltaic solar power

In 2011, we brought 33 MW of photovoltaic solar power capacity into service: the Bollène (4 MW—Vaucluse) and Beaucaire-Tarascon (3 MW—Gard) facilities developed by CN'AIR, along with three facilities in Curbans (26 MW—Alpes de Haute-Provence).

- Nuclear power

In France, we own 1,108 MW of drawing rights in the Chooz B and Tricastin[8] power stations, which produced 7.8 TWh in 2011.

Energy Management

The mission of the Energy Management business unit is (i) to optimize and maximize the value of the Energy France business line electricity assets portfolio; (ii) to supply and transmit energy to the marketing business units at the best possible price and with the necessary flexibility and up to end-customer points-of-use for electricity, gas and environmental products (green certificates, CO_2 credits, etc.); (iii) to manage market risks borne by the business line and (iv) to achieve portfolio management synergies between the various businesses (upstream-downstream integration, complementarity between production assets, etc.) and with other Group entities (CNR, Energy Europe & International business lines, and Global Gas & LNG).

At the end of 2011, the Energy Management business unit had a diversified electricity portfolio consisting of complementary technologies: nuclear drawing rights, four combined cycle gas plants and run-of-river and peak-load hydroelectric plants.

In coordination with the Global Gas & LNG business line, the Energy Management business unit manages gas supply for combined-cycle plants and the Energy France business line's sales and marketing business units. It is also responsible for managing transmission over the gas distribution network within the business line's area of responsibility.

In 2011, the business unit intensified the exchange of interests for the purchase and sale of energy (gas and electricity France) with our various portfolio management entities in order to limit the need to trade on the wholesale market. As such, it is a participant in the Central Portfolio Management Europe system, which pools portfolio management at the European level.

The Energy Management business unit's aim is to support the development, within a structured and appropriate risk framework (i) of a significant, diversified production asset base and (ii) of sellers, by providing them with competitive sourcing in a market reformed by the NOME (New Organization for the Electricity Market) law; and by providing innovative solutions from Smart Energy Services.

Following the entry into force of the NOME law, and to support the commercial development of the Energy France business line, the Energy Management business unit reserved 5.26 TWh of electricity from historical nuclear energy (ARENH) for the second half of 2011.

[8] Except for 100 MW of swaps with SPE.

Provalys Energy Performance

The Provalys Energy Performance business unit sells gas, electricity and related services to French industrial customers, the private and public service sector, collective housing associations and to local and regional authorities.

As of December 31, 2011, it managed a portfolio of 252,000 gas sites and 116,000 electricity sites. Its gas sales in 2011 were 107 TWh, compared to 140 TWh in 2010.

The business aims at (i) securing its customers' loyalty and maintain its volumes of gas sales; (ii) continuing to develop its portfolio of electricity customers; and (iii) supporting its customers in managing energy consumption through innovative offers, thereby maintaining its market share by building customer loyalty.

It aims at steering its customers towards a comprehensive approach to energy, combining business performance and respect for the environment.

It relies on a portfolio of brand names, including Gaz de France Provalys, and bases its action on two pillars: customer recognition (relevance, performance, proximity) and responsibility (lasting relationships and support to improve energy management). It offers a range of packages, for example the AlpÉnergie electricity offers, which provide access to a renewable electricity supply from our hydroelectric energy production and offers for energy eco-control engineering.

It has also developed solar power (photovoltaic and thermal) solutions for its entire customer portfolio, thus demonstrating its commitment to sustainable development.

Household and Business Customers

The Household and Business Customers business unit markets natural gas to 9,393,200 residential customers and more than 252,800 business customers and sells electricity to 1,166,800 residential customers and 85,300 business customers, and related energy services on these two markets, based on:

- a range of energy and service offers associated with consulting services and eco-efficient solutions under two brand names (Gaz de France DolceVita in the household market and Gaz de France Provalys in the small- and medium-enterprise market);
- a diversified mix of sales channels to ensure the relationship with its customers: call centers, both in-house and sub-contracted, the website www.dolcevita.gazdefrance.fr and partnerships with the business community, major players in the banking or distribution sector;
- commitment to quality assurance of its processes and ISO 9001 certification for all its activities (renewal obtained in 2011); and
- support policy and initiatives to reduce fuel poverty through its network of support contacts, and by developing partnerships with over 200 social service contacts, as well as its Corporate Social Responsibility (CSR) policy and "sustainable development" commitments.

Household Services

The mission of the Household Services business is to develop energy efficiency solutions for residential customers in their homes, incorporating renewable energy sources.

The Energy France business line aims at consolidating its position as a leader in France of multi-solution energy performance for its residential customers, with a clear position based on the quality of the facilities in the long term, end-to-end customer care (advice-works-funding-maintenance), and the development of a package that brings together the energy system and building renovation (insulation).

The Business Unit is positioned across the entire household energy performance value chain, ranging from energy diagnostics and the design/implementation of efficient solutions to the financing of energy renovation works and appliance maintenance.

Savelys

In France, Savelys is active in energy system maintenance for residential customers (individual and collective heating). Its activities include both contractual maintenance of oil-, gas- and timber-fired boilers, heat pumps, air conditioning systems, and solar panels as well as repair and upgrading of all types of heating systems.

Savelys and its 19 subsidiaries, with over 250 locations in France, is the leader in its market (over 1,500,000 boilers and other equipment under contract) with market share of almost 30%.

Its portfolio is made up of 47% individual customers, 46% collective customers and 7% central heating systems.

In 2011, Savelys posted revenue of € 414.4 million, up 4% over 2010. Savelys has around 17,500 heat pumps under contract, which is 27% more than in 2010.

Eco-Comfort

Customer demand and stricter regulatory restrictions have seen the Energy France business line commit voluntarily to energy efficiency and renewable energy for households. The crisis in the photovoltaic market brought about by regulatory changes led our business units to redirect their activities towards thermal comfort, even though for some, photovoltaic activities made up almost 90% of their business. This change entailed major restructuring, particularly for Energia which began bankruptcy proceedings in October 2011.

For 2011, revenue of this business unit was €40 million, strongly affected by regulatory developments that have negatively impacted the photovoltaic sector in France. All its subsidiaries—PDF/Agenda (regulatory diagnostic and energy audit), ABM Énergie Conseil (thermal engineering & design office), Clipsol (manufacturer of thermal solar systems and photovoltaic integration kits), Energia conseil, Panosol, Coraver and Géothermie du Rhône (installer of renewable energy solutions) − offer a wide range of energy efficiency solutions for the home.

Banque Solfea

Banque Solfea, which specializes in financing eco-efficiency works at home, aims at becoming an essential player on the eco-efficiency market to address the challenges of the Grenelle de l'Environnement, a multi-party multi-sector environmental forum in France. To do so, it is continuing its development on the thermal energy market, the renewable energy market (including photovoltaic and wind energy) and insulation, in addition to home improvement.

Despite a backdrop of crisis, Banque Solfea achieved in 2011 revenues of €293 million. Outstanding loans in 2011 totaled €647 million, compared to €572 million for 2010. Financing for photovoltaic facilities stood at €102 million thanks to the network of skilled and qualified professionals with whom Banque Solfea has had solid relations since 2009.

Financing of renewable energy heating solutions increased by 57% in 2011, highlighting household customers' interest in this type of installation, and the added value of highly subsidized loans through Banque Solfea's manufacturing partnerships.

The interest-free eco-loan contributed 12.5% of revenues (works packages, for the most part renewable energy and insulation).

The thermal energy business was down compared to 2010, representing about one-third of Banque Solfea's mandated production.

In December 2011, Standard & Poor's rating agency confirmed its "A long-term" and "A1 short-term" ratings.

Regulatory framework

Administrative rates

Some of our energy and service sales are made in the context of administered rates, which are subject to regulations. French laws and rules, European regulation, and decisions by the regulators (in particular, the French Energy Regulation Commission (ERC) for access rates to some infrastructures) are likely to affect our sales, profits or the profitability of the sales and marketing activities in France, depending on the extent to which supply or non-supply costs can be passed on through gas prices.

We sell natural gas based on two pricing systems: (i) administrative rates; and (i) negotiated prices for customers who have opted to select their gas provider and who have, therefore, left the administrative rate system.

There are two types of administrative rates: (i) public distribution rates for customers who use less than 5 GWh per year and are connected to the distribution network; (ii) subscription rates for customers who use more than 5 GWh per year and are connected to the distribution network or directly to the transmission network.

The overall pricing structure is fixed in France by the French Energy Code (Art. L. 445-1 et seq.) and the decree of December 18, 2009, which together regulate the rate of natural gas fuel sold via the French transmission and distribution networks. These provisions state that prices must cover corresponding costs. The decree clarifies the roles of government and the ERC. Once a year, the government publishes a decree, after taking advice from the ERC, setting out the changes in non-material costs and the formula representing the changes in supply costs.

In the interval between any two governmental decrees, after review by and advice from the ERC, we can pass on changes in supply costs resulting from the implementation of the pricing formula.

The 2010-2013 public service agreement between us and the French State has set out the framework for rate changes over the period in question by taking into account the following principles:

- changes in supply costs are taken into account each quarter, based on the prices of oil products (heating oil and heavy fuel oil in Rotterdam, Brent) and the dollar/euro exchange rate over the six-month period ending one month before the price revision date;

- changes in non-supply costs (including a reasonable profit margin for this type of activity) are calculated based on the necessary costs in supplying natural gas to public distribution customers.

In its opinion of August 31, 2010, the ERC confirmed that the formula used from 2008 to 2010 for the public service agreement is a correct approximation of our supply costs. This formula incorporates the result of agreements to that date with suppliers on long-term contracts supplying the French market and introduces a market indexation of about 10%, consistent with its contracts. A new adjustment to the rate formula was factored into the rate changes applied from January 1, 2012. In line with the renegotiation of long-term contracts, this formula includes a market indexation of about 26% as of January 1, 2012.

Public distribution rates. Public distribution rates apply to approximately 9.2 million customers. There are currently six main categories of public distribution rates: four for residential use or small shared boiler rooms, as well as two seasonally adjusted rates (gas prices being higher in winter than in summer) for medium and large shared boiler rooms. The B1 rate (and similar) applies to residential heating, cooking and hot water. This applies to the majority of customers, approximately 6.1 million as of December 31, 2011.

Pursuant to the new procedure, as defined by the decree of December 18, 2009 and the Order of December 9, 2010, natural gas public distribution rates were increased on average by 5.2% in April 2011. Public distribution rates for industrial and tertiary premises were increased by 3.2% in July and by 4.9% in October. The French government decreed a freeze of administrative gas rates for household customers in July and October 2011. Two challenges to the decree relating to the move in October 2011 were lodged with the French Administrative Supreme Court: one by GDF SUEZ, the second in interim by the National Association of Retail Energy Operators (Anode). Following the interim challenge lodged by Anode, the Administrative Supreme Court partially suspended the decree relating to the move in October 2011, and requested that the government again decide on the setting of administrative rates for gas supplied by our public distribution networks. Following this decision, the government decided on a 4.4% increase on January 1, 2012 for all public distribution rate customers.

On July 10, 2012, further to our claims and those of Anode, the *Conseil d'État* (France's highest administrative court) canceled the decree of September 29, 2011 on regulated natural gas prices issued by the Ministers for Economic Affairs and Energy. In its decision on the merits, *the Conseil d'État* held that the decree was vitiated by an error of law, in that it set the prices at a level lower than that which would have resulted from the application of the pricing formula as defined under current regulations.

According to the *Conseil d'État*, if the Ministers believed that it was necessary to alter the pricing formula due to changes in supply costs, they should have altered the formula before setting any new prices. The Conseil d'État instructed the Ministers to issue a new decree, within one month, setting prices for the period from October 1, 2011 to December 31, 2011 in accordance with current regulations.

The freeze of regulated natural gas prices over the last quarter of 2011 resulted in a shortfall amounting approximately to €290 million. The financial consequences of the decision of the *Conseil d'État* and of the new decree will be recognized during the second half of 2012.

In addition, the ministerial decree of July 18, 2012 sets the increase in regulated natural gas prices in France at 2% for the period from July 20, 2012 to December 31, 2012. The government's decision to limit the July increase to 2% is not enough to cover the supply costs of GDF SUEZ, as was pointed out by the French Energy Regulation Commission (CRE) in its July 17 proceedings.

Pursuant to the ministerial decree of September 26, 2012, an additional 2% increase was applied to regulated natural gas prices in France effective October 1st, 2012. However, we consider that these price changes will not enable us to cover all our natural gas supply costs and other costs.

Subscription Rates. As of December 31, 2011, subscription rates applied to 740 customers. These rates change quarterly, as proposed by us after advice from the ERC and taking into account any change in the dollar/euro exchange rate and price indices representative of supply contracts. The rate paid by any particular customer depends on consumption volume and maximum daily flow, as well as the distance between the primary transmission system and the point of delivery (for customers connected to the transmission network) or between the transmission network and distribution network to which the customer is connected.

On January 1, 2011, the pricing structure and rates levels were updated to reflect infrastructure costs and marketing costs. Subscription rates moved upwards during 2011, given the changes in supply costs (+ €6.1/MWh).

Energy Europe & International

Overview

The Energy Europe & International business line (BEEI) is responsible for our energy activities and services all around the world excluding France. Electricity and natural gas are the core businesses with activities in electricity production, trading, marketing and sales, and on the gas side, transport, storage, distribution, marketing and sales, including LNG regasification terminals. Energy Europe & International manages a total of 105 GW[9] of capacity in operation with a further 16 GW in construction.[10] BEEI operates in 36 countries, and its customers include governments, industry, the tertiary sector (commercial and public undertakings), as well as residential energy users.

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[9] GW and MW figures always stand for the maximal net technical capacity of the power plants, which corresponds to the gross power less auto consumption. Installed capacity corresponds to 100% of the power of the plants included in the scope of consolidation (fully and proportionately consolidated companies, as well as equity affiliates).

[10] Projects under construction include projects not yet under construction but that the company is contractually bound to build or to acquire from.

BEEI has established a business model based around two complementary approaches: System player and Asset Developer.

As a system player BEEI creates value through integration of its gas, electricity, and/or service businesses in a limited number of markets where our positions are already well developed and where the regulatory and market structure makes market entry and integration possible (for example, Benelux & Germany, Italy, Romania, Hungary, US & Mexico, Brazil, Chile, Peru, Thailand, Singapore). The “system play” business model is a long-term strategy based on achieving industrial synergies, economies of scale, portfolio management, trading, marketing and sales capabilities, as well as credibility and reputation.

As an asset developer BEEI creates value through the development of greenfield projects and the acquisition of established assets in selected markets that meet its investment criteria. Energy Europe & International has been able to execute this investment strategy successfully by virtue of its strong market analysis and business development capabilities, flexibility and its abilities to timely take advantage of market opportunities when they arise. This approach can be used to enter markets (for example, Portugal, Colombia, Panama/Central America, GCC, Turkey, Vietnam, Indonesia, Australia, South Africa), to develop existing positions into system plays or to optimize an existing system (portfolio management).

Our main strategy guidelines can be summarized as follows: (i) optimize performance of existing business; (ii) pursue growth with specific focus on fast growing markets in order to benefit from favorable economic situation and related energy demand evolution while keeping risks under control; (iii) balance the portfolio in order to reduce volatility and to increase predictability of earnings (maintain a diversified energy mix with increased installed capacity of green energy) and (iv) identify sources of future growth and build up new options.

International Power

Our takeover of the International Power group, announced publicly on August 10, 2010, and approved by International Power Shareholders on December 16, 2010, became effective on February 3, 2011, the date on which the final conditions precedent stipulated in the Merger Deed of October 13, 2010 were fulfilled. The required regulatory authorizations have been obtained.

The combination of GDF SUEZ Energy International[11] and International Power resulted in the creation of the world’s leading independent electricity producer, with an expanded asset base formed by the assets of International Power and GDF SUEZ Energy International.

International Power is a leading independent electricity producer, with 35.4 GW of gross capacity in operation and 2.5 GW of capacity under construction. International Power has more than 50 power stations across five core regions − North America, Europe, the Middle East, Australia and Asia. It has a pipeline of greenfield growth opportunities across its core markets, particularly in Asia, in the Middle East and in North Africa. International Power has a strong financial profile (sales of €4.4 billion and EBITDA of €1.4 billion in 2010)[12].

GDF SUEZ Energy International is a leading independent electricity producer with 35.8 GW of gross production capacity and has strong positions in four main regions: North America, Latin America, Middle East and Asia. It is a leading electricity retailer for industrial and commercial companies in the United States, as well as a major LNG importer (Everett and Neptune LNG regasification terminals). It has a balanced portfolio in terms of assets, geographical location, energy mix (strong presence in hydro-electric generation) and contractual/regulatory environments. GDF SUEZ Energy International offers attractive growth prospects through a large portfolio of committed projects (14.7 GW), which includes Estreito and Jirau in Brazil and Ras Laffan C, Barka 3/Sohar 2 and Riyadh PP11 in the Middle East.

[11] GDF SUEZ Energy International comprises the assets of GDF SUEZ Energy Europe & International outside Europe as well as certain assets in the UK and in Turkey.

[12] International Power’s 2010 financial data have been restated to present date in accordance with our accounting and presentation policy.

On completion of the merger, we held approximately 70% of the voting rights in Enlarged International Power[13], listed on the London Stock Exchange. The shareholders of International Power (excluding the holders of new ordinary shares issued pursuant to the merger) received an extraordinary dividend of 92 pence per share. GDF SUEZ Energy International was transferred to International Power with €6.5 billion (£5.6 billion)[14] of net indebtedness (situation as at December 31, 2010)[(4)]. After completion of the transaction, the new unit was part of the Energy Europe & International business line.

This transaction substantially reinforced our strategic position through the creation of the world's leading independent electricity producer, with 70 GW[15] of gross production capacity in operation and committed projects expected to deliver 17 GW of additional capacity at December 31, 2010.

The Relationship Agreement between Electrabel, GDF SUEZ and International Power governs relations between GDF SUEZ and Enlarged International Power, as well as governance of Enlarged International Power. Enlarged International Power is the platform through which GDF SUEZ drive its international development in energy infrastructure markets and, as part of the combination, the parties has enter into a non-compete arrangement for Continental Europe.

This transaction is truly defining for us, illustrating our philosophy and strategy of long-term development based on industrial partnerships, balanced production facilities and a unique position in electricity, natural gas and services. As of the date of the transaction, it made us leader in the sector in terms of annual revenues and the nº 1 utility by volume of gas managed in Europe (more than 1,300 TWh). We boosted our total production to more than 100,000 MW in installed capacity, which will increase to 130,000 MW within three years after the commissioning of the projects currently under construction.

On June 29, 2012, we completed the further acquisition of 30.26% of non-controlling interests in International Power plc following the approval of the transaction by the qualified British authorities. GDF SUEZ now holds 100% of the voting rights of the International Power group. On July 2, 2012, International Power's shares were delisted from the London Stock Exchange.

The purchase offer was carried out as part of a scheme of arrangement at 418 pence per share in compliance with British legislation and approved by more than 99% of International Power's minority shareholders at its Shareholders' Meeting on June 7, 2012.

The purchase of International Power's 1,542 million ordinary shares, which were not yet held by the Group, amounted to €7,974 million. On July 12, 2012, a cash payment of €7,875 million was made and loan notes with a nominal value of €99 million were issued. These non-subordinated loan notes pay annual interest of 0.25% and can be reimbursed from June 29, 2013 and up to June 29, 2015 at the latest.

Organizational Structure

Following the combination with International Power plc (IPR), which occurred on 3 February 2011, the business line was organized in 2011 around three divisions:

- Energy Benelux & Germany (based in Brussels)
- Energy Europe (based in Paris)
- IPR (based in London)

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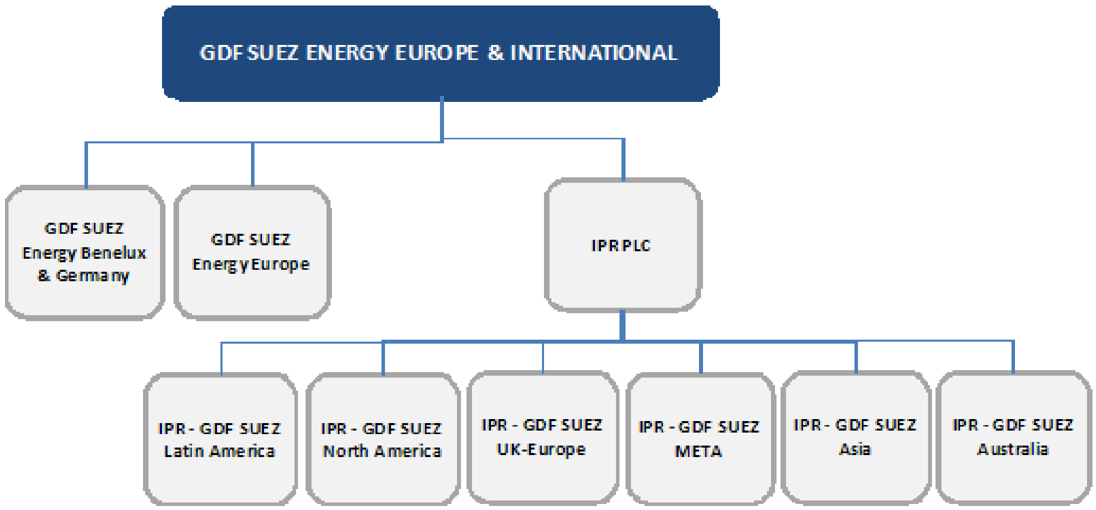
13 Enlarged International Power is defined as the entity resulting of the combination between GDF SUEZ Energy International and International Power.

14 Including IAS39.

15 GDF SUEZ Energy International gross installed capacity as at December 31, 2010; gross capacity of International Power as at December 31, 2010; Al Hidd power station (approx. 1 GW) owned jointly by GDF SUEZ Energy International (30%) and Malakoff International Ltd (40%).

IPR covers the following six regions: IPR - GDF SUEZ Latin America, IPR - GDF SUEZ North America, IPR - GDF SUEZ UK-Europe, IPR - GDF SUEZ Middle East, Turkey & Africa, IPR - GDF SUEZ Asia and IPR - GDF SUEZ Australia with respective headquarters in Florianopolis (Brazil), Houston (US), London (UK), Dubai (UAE), Bangkok (Thailand) and Melbourne (Australia).



Each division is headed by a manager who is responsible for the financial performance of the operational activities of the relevant business area, and proposes strategic orientations and new development actions.

The divisions and regions interact with a "lean" corporate structure that combines teams at the Energy Europe & International headquarters in Brussels and International Power's headquarters in London. It is composed of three operational (Operations, Markets & Sales and Business Development Oversight) and three functional (Strategy & Sustainable Development, Finance and HR, Communications & Legal) support departments. The functional support managers and their teams provide supervision, guidance, common methodologies and procedures, suggestions for improvements and knowledge and experience gathered from across the organization to the divisional and regional teams.

This matrix organization provides the local teams with both flexibility and responsibility to run and develop their businesses, while the support teams ensure direction and consistency, and help optimize synergies across the divisions, regions and the Group as a whole.

Energy Management

During the last 12 years Trading and Portfolio Management Europe (TPM Europe) has been a leader in the development of European energy markets, playing a key role in its core markets of Central Western Europe power, gas, coal and emission allowances while driving the development of less liquid power and gas markets in Eastern, Southern and South Eastern Europe.

In the course of 2011, the trading activities of TPM Europe, located in Brussels, have merged with those conducted by Gaselys, the Paris based trading platform of GDF SUEZ. The resulting entity, GDF SUEZ Trading, was set up as our unified regulated trading subsidiary in continental Europe. This organizational integration has widened the scope and strength of the trading activities, which continue to be developed from the Brussels and Paris trading floors, thereby fulfilling two main missions: contribute to the optimization of our assets in the wholesale markets and design risk management solutions for our customers.

In addition, the activities of Central Portfolio Management Europe (CPM Europe), in charge of developing hedging strategies for the European asset base of GSEEI, have been reorganized in order to create more value in changing European markets. By having an integrated view and strategy on power generation, gas contracting and sales activities over a three-year forward horizon, CPM Europe can optimize the risk reward profile of the portfolio. This includes some activities performed on behalf of the Energy France and Global Gas and LNG business lines, in order to maximize the integrated approach throughout the Group. CPM Europe offers products and services combining the physical supply of electricity and natural gas with financial instruments, together with GDF SUEZ Trading.

The portfolio teams manage the commodity price risk linked to power generation, gas and coal procurement and sales. Given the growing liquidity and convergence of European energy markets and the sizeable positions of GSEEI in continental Europe, this is a key activity to secure and enhance the profitability of the GSEEI core business, while respecting a state of the art risk framework.

In addition, CPME is in charge of the physical procurement of internationally traded coal and biomass for the power plants of GSEEI in Europe, with operations in Belgium, The Netherlands, Germany and Poland. The deliveries of biomass to Rodenhuize, one of the largest 100% biomass fired power stations in the world, successfully started in the spring of 2011.

During 2011, BEEI has optimized net flows of 151 TWh of power, 241 TWh of gas, 6 million tons of coal and 1.4 million tons of biomass in Europe.

A significant proportion of IPR assets in the UK, North America, Latin America, Asia and Australia operate on a merchant basis. Furthermore, the costs associated with power generated are principally driven by the prices of natural gas and coal, which are subject to volatility. The Trading & Portfolio Management (TPM) teams are responsible for optimizing the portfolio and for limiting IPR's exposure to market movements by forward selling a proportion of the assets' anticipated output and buying the related commodities including fuel, transmission rights, capacity and emission certificates. The TPM teams also carry out some proprietary trading. This non asset-backed trading activity has strict risk limits and controls. In addition the TPM teams procure fuel under a variety of contractual arrangements ranging from long-term fuel supply agreements to on-the-day merchant gas purchases. The principal determinant of the fuel supply activity is the need to match purchases to power sales, both in terms of volume, timing and price.

Risk Management and Governance

The portfolio management activities are governed by strict risk policies. Risk control teams report to the CFOs of the business areas of Benelux & Germany and Europe, respectively, and are, thus, independent from the operational managerial line. On a daily basis, risk control monitors performance and market risk as well as portfolio's compliance.

In order to reduce the risk of adverse commercial outcomes, IPR devotes significant resources to the maintenance, oversight and development of its risk management policies and procedures, as evidenced by the global risk management policy, risk management capabilities and information technology systems. Trading and forward contracting strategies are continually reviewed by regional and corporate TPM and risk management professionals, to ensure they are best suited to both local market conditions and corporate risk guidelines. Oversight of the TPM operations is provided by IPR's Global Commodities Risk Committee (GCRC). The GCRC acts under the authority of IPR's Board of Directors, and delegates limits and authorities to local risk committees, which have been established in each of our merchant market regions to oversee the management of market, operational and credit risks arising from our marketing and trading activities.

Key Figures

Altogether, GSEEI activities represented nearly €36,656 million in revenues in 2011 for a total workforce of 35,862[16] people as of December 31, 2011.

Note*	Benelux & Germany	Europe	IPR
Capacity in operation (GW)...	18.6	12.6	75.6
Capacity in construction (GW)..	1.5	0.3	12.8

[16] Total number of employees of fully consolidated companies, proportionately consolidated companies and companies accounted for under the equity method.

Note*	Benelux & Germany	Europe	IPR
Electricity production (TWh)	82.9	39.2	304.9
Electricity sales (TWh)	120.4	40.1	229
Gas sales (TWh)	82.3	87.4	112.5

* All information as of December 31, 2011. Installed capacity is consolidated at 100%; sales figures are consolidated according to accounting rules.

Business Lines

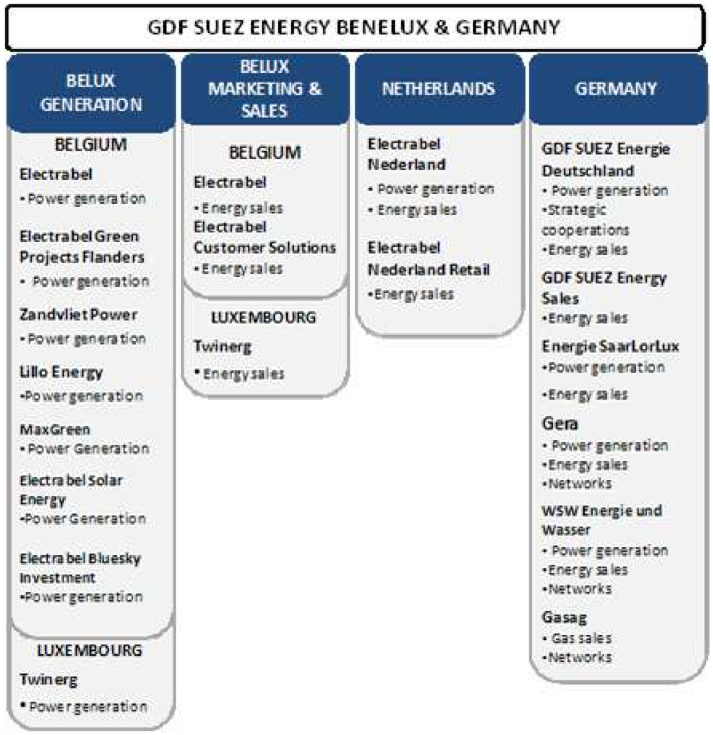
Energy Benelux & Germany

GDF SUEZ Energy Benelux and Germany is active in the areas of power and heat generation, and in trade and supply of power, natural gas and energy services. It is organized in four entities: two countries (the Netherlands and Germany) and two business segments in Belux (power generation and marketing & sales).

In Benelux and Germany, GDF SUEZ is developing, through its fully owned subsidiaries Electrabel and GDF SUEZ Energie Deutschland, a balanced strategy, aiming at creating value as a system player via the development of competitive advantages through (i) development of a diversified, flexible, energy efficient, cost competitive and sustainable electricity generation portfolio, in order to consolidate its position on the copper plate of Central West Europe (CWE); (ii) development of a balanced sales portfolio focusing on value creation by offering integrated energy solutions (combined offering of electricity, gas, heat and energy services) to its customers; and (iii) dynamic management of its generation/sales portfolio, by taking full advantage of the development of the regional CWE market.

Belgium

In Belgium, GDF SUEZ' fully owned subsidiary Electrabel is the leading player in the power sector with a generation capacity of approximately 10,857 MW as of December 31, 2011, including its share in the nuclear power units in Doel and Tihange, several fossil fuel fired power plants (mainly gas-fired), a wide range of renewable energy installations and a pumped storage facility in Coo. In 2011, Electrabel has commissioned several wind farms and a 100% biomass-fired unit (Max Green) at Rodenhuize.



Electrabel has on the one hand an important portfolio of large industrial customers, mainly for supply of electricity but also for natural gas, heat and energy services, and is on the other hand active in the electricity and gas retail market segments, with approximately 3.2 million electricity and 1.8 million gas customers.

In 2011, the company signed an important agreement, effective as from 2012, with six major industrial companies that have important electro-intensive activities in Belgium (grouped together in the Blue Sky Consortium). The agreement includes mutual commitments regarding co-investments in new gas-fired and nuclear power capacity and the granting to the Blue Sky Consortium of drawing rights in existing nuclear power plants.

As part of its commitment to sustainable development, Electrabel had launched in 2008 its plan "Together for less CO_2", with 10 concrete commitments aiming at reducing its carbon foot print and helping its customers to reduce their energy consumption and carbon emissions. The company has pursued this policy in 2011, amongst others by increasing the efficiency of its generating facilities and by developing several renewable energy projects. Electrabel remains the leading supplier of green power in Belgium, and is also the most important green producer with a total installed capacity of 516 MW and 600,000 end customers who subscribed a green energy supply contract. Together with eight industrial partners, the company introduced in 2011 a concession file aiming to build the seventh offshore wind farm off the Belgian coast. For this purpose the Mermaid consortium has been set up, with Electrabel holding 35% of the project and the other partners (Otary) 65%.

Electrabel pursued its campaign launched at the end of 2010 focusing on customer service, which has substantially improved since full market liberalization but which remains a constant challenge and a major objective for the company. The campaign is based on five concrete commitments towards its residential and professional retail customers; the company also focuses on the service level for its business customers.

The Netherlands

In the Netherlands, we are a major electricity generator through our subsidiary Electrabel Nederland, with a share of approximately 20% in the overall generating capacity in the Netherlands. Our production is mainly sold via the wholesale market to industrial consumers and suppliers. Electrabel Nederland is also supplying electricity and gas on the retail market.

The power plant portfolio totaling a generating capacity of 4,854 MW consists of five gas-fired power plants, a coal-fired power plant which has the ability to co-fire 30% with biomass, and nine wind turbines. At the end of 2011, Electrabel's renewable energy capacity amounted to 207 MW. We seek to grow in renewable energy by developing projects in wind, biomass and green gas. Electrabel is building a new coal-biomass power plant in Rotterdam with a capacity of 736 MW which will start operating in 2013.

In order to enhance our visibility in the Netherlands, it has been decided to change the local company name *Electrabel Nederland* as from January 5, 2012 to *GDF SUEZ Energie Nederland*. The brand name Electrabel will, however, continue to be used in the retail market.

Germany

We are active in the energy sector in Germany via our subsidiary GDF SUEZ Energie Deutschland AG. Having successfully integrated the three power plants that it acquired in November 2009 into our portfolio, we have initiated an ambitious maintenance program aiming at improving the efficiency factors while increasing the technical flexibility of its plants.

The program resulted in investments for major overhauls of the two coal-fired power plants in Farge and Zolling in 2011. GDF SUEZ Energie Deutschland also finished the modernization of the Römerbrücke power plant in Saarbrücken.

The power generation capacity of GDF SUEZ Energie Deutschland is, as of December 31, 2011, 2,508 MW: coal-fired power plants with a total capacity of 1238 MW, 132 MW of hydroelectric capacity and 368 MW gas-fired cogeneration capacity. GDF SUEZ Energie Deutschland will operate a new CO_2 capture ready 731 MW pulverized coal-fired plant currently under construction in Wilhelmshaven. A large part of the civil works is completed.

We have a limited but growing market share in the segment of large business customers for both electricity and gas, and are active in power, gas and heat distribution and retail supply through our participations in municipal utilities, in particular *Energieversorgung Gera GmbH and Kraftwerke Gera GmbH, Energie SaarLorLux AG, WSW Energie & Wasser AG and GASAG Berliner Gaswerke AG*.

Luxembourg

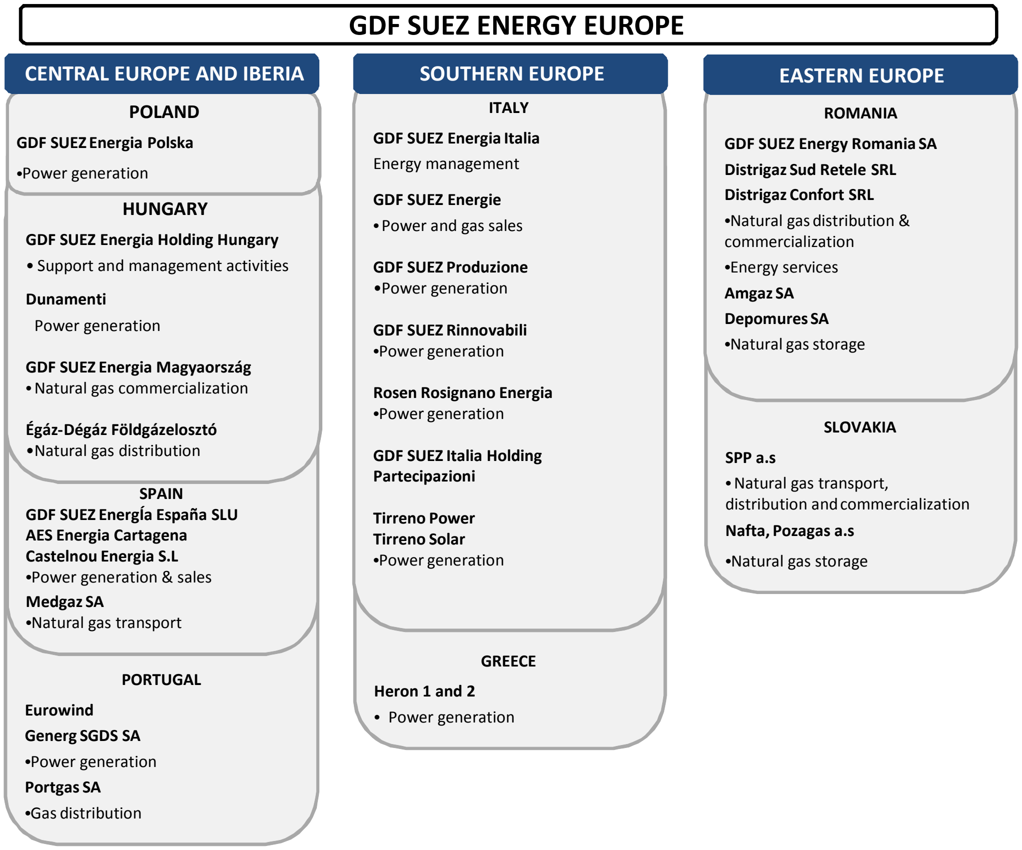
We are a leading player in Luxembourg with the 376 MW gas power plant of Twinerg. Since February 2011, this plant provides heating services to the new residential neighborhoods of Belval, Esch Sud and Esch Nord.

Energy Europe

GDF SUEZ Energy Europe (GSEE) manages a diversified energy production portfolio, with a predominance of natural gas and a significant share of renewable energies. It includes our energy activities in Europe (outside France, United Kingdom (except Nugen), Belgium, Netherlands, Luxembourg and Germany).

GSEE's main businesses are electricity production, transport, distribution and storage of natural gas, sales, trading and portfolio management. GSEE is present in three geographic areas, through "Lead Operational Companies":

- Central Europe and Iberia: Poland, Hungary, Spain and Portugal,
- Southern Europe: Italy and Greece,
- Eastern Europe: Romania and Slovakia.



The business areas' strategy aims at combining growth and value creation. GSEE pursues two objectives: (i) to consolidate and reinforce its geographical positions where GSEE holds lead operating companies by increasing its local foothold and integration (e.g. Italy, Romania, UK (Nugen)). For other than the above countries in the area, GSEE is continuing an opportunistic development; (ii) to capture green business opportunities.

Central Europe and Iberia: Poland, Hungary, Spain and Portugal

Poland. We operate a coal/biomass co-combustion power plant in Polaniec of 1452 MW. In 2011, the Polaniec plant produced 7.7 TWh of electricity, of which 0.835 TWh is considered renewable from biomass.

We sell electricity to industrial customers and on the wholesale market. Our new investments are currently focused on diversification of fuel mix and in particular on production from renewable energy sources. A new unit of 190 MW entirely fuelled by biomass is being constructed next to the co-fired power station of Polaniec and will replace old coal-fired boilers. After its expected commercial operation date at the end of 2012, this unit will be one of the world's biggest biomass units, and benefit from renewable energy support. At the same time, the first Group wind farm in Poland, the 21 MW wind farm of Jarogniew-Moltowo, started its operations on January 1, 2011. In 2010, GDF SUEZ has acquired two other wind projects, Wartkowo (30 MW), on line in January 2012, and Pagow (51 MW), expected to come on line by the end of 2012.

We have started the development of gas sales in Poland by acquiring gas import capacities for 2012.

Hungary. In Hungary, we own a majority stake in the Dunamenti power plant mainly fuelled by natural gas, which has a total net installed electric capacity of 1,867 MW and 1,000 MW of heat generation capacity. Dunamenti is Hungary's largest conventional power generation unit in terms of installed capacity representing close to 20% of the country's total installed capacity. In July, G3 a net 397 MW combined-cycle gas turbine (CCGT) power generation unit on the Dunamenti site was inaugurated using the best available technology. The €200 million brown-field investment, started in 2009 and including the repowering of an existing steam turbine, increased significantly the generation efficiency from 36% to 57% and reduced the CO_2 emissions of the power plant.

GDF SUEZ Energy Holding Hungary also sells natural gas and electricity. Égáz-Dégáz Földgázelosztó, its 100% subsidiary (through EIH, fully owned by GDF SUEZ), is active in natural gas distribution. As of December 31, 2011, it operates a 23,000 km long distribution network and it distributes 1.8 bcm of natural gas to 810,000 customers, which accounts for around 12% of the total natural gas consumption of Hungary.

Portugal. GSEE electricity activities in Portugal are focused on renewable energy. Through our 100% owned subsidiary Eurowind, we control a total of 214 MW installed and operating wind capacity. We also hold a 42.5% stake in Generg, a group of companies with 436 MW wind, 33 MW hydroelectric power and 19 MW of solar energy capacity. GSEE also has natural gas distribution activities with a 25.4% stake in Portgãs which commercializes and distributes natural gas and propane in a concession in northern Portugal.

Spain. We fully own Castelnou Energia, a 794 MW combined-cycle natural gas facility, and hold a 83% stake in AES Energia Cartagena, a 1,199 MW combined-cycle plant. Under an energy management contract, we supply the latter with natural gas, and receive in return the entire electric output generated by the Cartagena plant. The energy of both power plants is sold on the wholesale market.

We have entered into an agreement with AES Corp in 2011 by which we will increase our participation in AES Energía Cartagena from 26% to 83% with the option, starting 13 months after closing, to raise our participation to 97%. Following receipt of approval by the relevant authorities, the closing took place in February 2012.

With a 12.5% stake in the Medgaz consortium, we are active in the gas pipeline between Algeria and Spain which has a capacity of 8 billion cubic meters (bcm)/year and a length of 210 km.

Southern Europe

Italy. Our main activities in Italy are generation and sales of electricity and natural gas. Based on public information from AEEG's annual report, the Italian electricity and gas regulatory authority, in 2011 GDF SUEZ ranked as (i) the third operator in gas sales to final customers with 3.6 bcm sold (excluding power generation consumption); and (ii) the fifth operator in power generation in terms of capacity with 5.5 GW.

In the first quarter of 2011, GDF SUEZ and Acea terminated their joint venture agreement according to an agreement dated September 16, 2010. Following the termination, GDF SUEZ activities in Italy are managed through GDF SUEZ Energia Italia as follows:

- GDF SUEZ Produzione is in charge of operation and maintenance of power generation capacity owned by GDF SUEZ Energia Italia (both thermoelectric and renewable).
- GDF SUEZ Energy is in charge of marketing and sales and serve more than 1.4 million customers in gas and power;
- GDF SUEZ Energy Management is in charge of sourcing and managing gas and power (5 bcm of gas and 20 TWh of power) for both its generation activities and its customer base in Italy;

The termination of the joint venture with Acea creates a fully controlled power and gas utility with 6 GW of installed capacity (including GDF SUEZ Energia Italia, Cofely, Tirreno Power (50%)), 300,000 customers in a newly-built electricity customer portfolio, and 206 MW in renewables (wind).

On October 3 2011, GDF SUEZ closed the sale of G6 Rete Gas to the consortium composed by F2i infrastructure fund, AXA Private Equity and Enel Distribution. The transaction priced the distribution assets at €772 million, which amounts to 103% of the 2010 regulated asset base, 9.3 times EBITDA and 17.5 times net income.

The GDF SUEZ brand for electricity and gas was officially launched in Italy in May 2011 with a broad media campaign.

Greece. We are present in electricity production through a joint venture with GEK TERNA (a Greek private power production, construction and real estate group) in Heron I and II (located in Viotia). Heron I is a 148 MW open cycle gas-fired plant and is in operation since 2004. Heron II, a 422 MW combined cycle gas-fired power plant, started its operation in August 2010.

Eastern Europe

Romania. GDF SUEZ Energy Romania SA is active in natural gas commercialization and distribution. In 2011, the company supplied natural gas to around 1.4 million customers located mostly in the Southern part of the country and operates, through its subsidiary Distrigaz Sud Retele, a 16,800 km long distribution network. It is also active in the energy services sector through its affiliate Distrigaz Confort which serves 610,000 customers since it started its activity in 2009.

We are present in natural gas storage, through our subsidiaries Amgaz and Depomures, which have a total of 320 million cubic meters of working capacity.

The Baragan project, a 48 MW wind farm is expected to be commissioned in November 2012.

Slovak Republic. SPP is an integrated company active in the international transit, purchase, transport, storage, distribution and sales of natural gas in Slovakia. Through a joint (50:50) subsidiary Slovak Gas Holding BV ("SGH"), GDF SUEZ and E.ON hold together a 49% stake in SPP. The Slovak State holds the remaining stake. GDF SUEZ and E.ON have joint control of the company. The Eustream transit subsidiary transported 77 billion cubic meters in 2011. SPP Distribucia, a subsidiary of SPP, owns and operates the Slovak gas distribution network. SPP is also active in natural gas sales, and supplied around 1.5 million residential customers in 2011 through a network of 32,960 km. SPP holds several participations in natural gas storage facilities in Slovakia and the Czech Republic through Nafta, SPP Bohemia and Pozagas with a total storage capacity of 3.4 bcm.

United Kingdom (Nugen)

In October 2009, a consortium of GDF SUEZ, Iberdrola SA and Scottish and Southern Energy Plc was successful in securing an option to purchase land for the development of a new nuclear power station at Sellafield on the Cumbrian Coast from the Nuclear Decommissioning Authority. The project is currently in predevelopment stage. In November 2010, the consortium announced that their joint venture company, NuGeneration Ltd (NuGen), was fully established. In September 2011, GDF SUEZ and IBERDROLA said they had been informed by Scottish and Southern Energy that it had decided to end its involvement in the joint venture company NuGen. IBERDROLA and GDF SUEZ confirmed their commitment to NuGen and said that they would bring their respective stakes in the project to 50%.

GDF SUEZ Trading

Overview

In 2010, we launched a project to merge our European energy trading activities, conducted by Gaselys and Electrabel. We therefore implemented, between May 2010 and May 2011, the ambitious project of creating a European leader combining physical and financial products across the entire energy mix.

GDF SUEZ Trading, a wholly owned subsidiary of the GDF SUEZ Group which operates since May 2, 2011 in all the major European marketplaces, combines the two former structures – Gaselys and Electrabel's trading business – both of which have been active in the market for more than 10 years, covering the full range of energy trading and holding strong and complementary positions on Europe's gas and electricity markets (Gaselys being mainly active in crude oil, oil products and gas, and Electrabel in electricity, gas, coal and CO_2). It has about 320 employees and a unique and integrated IT system.

GDF SUEZ Trading is based in two locations, with front office and support teams divided between Paris and Brussels, as well as an extensive commercial presence in Europe, with, notably, branches in Germany and the Czech Republic. This commercial presence extends to Asia, with a branch in Singapore that is a platform for future development, particularly in LNG.

Operations

GDF SUEZ Trading helps to improve the competitiveness of our various business segments across the board:

- in exploration-production, via financial strategies to hedge gas and oil production, access to short-term gas markets (selling uncontracted volumes, buying replacement gas) and contribution to the design of financing schemes for the purchase of production assets;

- in gas supply, by helping to optimize the long-term portfolio through buy/sell transactions on European physical hubs for balancing and arbitrage, financial management of the portfolio's indexations, and deriving value from residual flexibility;

- in LNG, with hedging for LNG spot transactions, thanks to its ability to deal in European, U.S. (Henry Hub, basis) and Asian (Japan Crude Cocktail) markets;

- in electricity production of our European plants, via hedging of spark spreads, dark spreads, tolling agreements and carbon-neutral solutions;

- in the marketing of energy to our key accounts in Europe, by creating, together with our sales teams, innovative price engineering solutions (risk management) enabling them to embed pricing formulae in natural gas supply contracts that are adapted to the risk profiles of industrial groups—fixed price offers, indexed prices, price structures that include buy or sell options—aiming to hedge exposure to unfavorable price fluctuations; and

- in marketing energy to other segments of the customer base in France, by price engineering, enabling the Energy France business line to offer business customers various price structures (fixed or indexed) and offer private consumers fixed price deals for one or more years.

GDF SUEZ Trading is also developing its own activity, by:

- developing its own customer base, to which it diversifies and extends its range of services (from producers and midstreamers to financiers); and

- proprietary trading and asset-backed trading activities, within strict limits. The aim is to arbitrate price discrepancies between the various underlying types of energy (gas, electricity, oil and coal) and to capitalize on anticipated price movements.

GDF SUEZ Trading operates across the entire energy mix, combining the respective market positions of Gaselys and Electrabel.

<u>*Natural gas*</u>*.* GDF SUEZ Trading helps to increase the liquidity of the European hubs: NBP in the United Kingdom, the Zeebrugge hub in Belgium, TTF in the Netherlands, NCG and Gaspool in Germany, PEG in France, Baumgarten (Central European Gas Hub), VOB in the Czech Republic and PSV in Italy. It acts as a market maker on the Powernext Gas exchange, created in November 2008. The subsidiary also covers the main European grey points (e.g., Emden, Eynatten and Zelzate). Finally, it trades in U.S. gas to financially optimize LNG transatlantic arbitrage.

<u>*Electricity*</u>. GDF SUEZ Trading is a major player in the western European electricity markets, as well as in central and southern Europe: the United Kingdom, France, Germany, Belgium, the Netherlands, Luxembourg, Scandinavia, the Czech Republic, Slovakia, Hungary, Poland (market maker on HUPX, POLPX and PXE), Austria, Switzerland, Spain and Italy.

<u>*Oil and refined products*</u>*.* As most gas contracts in Europe are indexed to oil products, GDF SUEZ Trading deals in these products, on a financial basis only, to manage our exposure and that of our customers to movements in these underlying prices (crude oil, refined oil, distillates and Japan Crude Cocktail).

<u>*Coal*</u>*.* Coal indexation is also a price component on which GDF SUEZ Trading intervenes financially for hedging purposes (north-west European market and other references).

CO2 emissions. To manage its customers' emission constraints, GDF SUEZ Trading deals in EUAs (European Union Allowances) and CERs (Certified Emission Reductions).

Green certificate. GDF SUEZ Trading provides "green" electricity services based on the Renewable Energy Certificates System (RECS) and Guarantees of Origin (GoO).

Risk Management

GDF SUEZ Trading was granted an "investment services provider" status. The subsidiary is overseen by the French (ACP and AMF) and Belgian (FSMA) banking and financial authorities, which supervise the implementation of risk governance rules. This status is in line with European regulation, notably entailing strict rules on capital requirements, the fair treatment of customers and the respect of best practices. The subsidiary has €1 billion in equity capital.

After the acquisition of the stake held by Société Générale in Gaselys and the merger with Electrabel's trading business, GDF SUEZ Trading consequently reshuffled the organization of its risk governance bodies and adapted its credit risk and market risk policies as a result. Pursuant to the Ministerial Decree of January 19, 2010, amending Rule 97-02 of February 21, 1997 governing internal control of banks and investment companies, GDF SUEZ Trading has redeployed its risk structure.

A Risk Department was created, reporting to a Chief Risk Officer ("CRO"). The CRO's responsibilities in terms of market and credit risk notably include defining risk assessment procedures, reviewing credit quality, proposing credit and market limits, and monitoring risk assessment tools. The Risk Department also coordinates operational feasibility reviews for new activities and organizes the New Products Committee. The CRO reports to the Audit Committee of GDF SUEZ Trading and to the Energy Market Risk Committee at the GDF SUEZ Group level.

This system is incorporated in our governance system through a Trading Risk Committee, chaired by the CRO and comprising senior managers of GDF SUEZ Trading and representatives of the Group and the business lines. The Trading Risk Committee reports to the Audit Committee and the Board of Directors of GDF SUEZ Trading.

At the operational level, our team of risk managers monitors market risks on a daily basis (commodity prices, FOREX rates and interest rate risks) and physical risks (asset failure risks). The market risk indicators are based on VaR (value at risk) and stress test models.

Regarding credit risks, lines of credit are allocated counterparty by counterparty. The limits set up are based on Credit Value at Risk models. These risks are reduced through the implementation of various tools: e.g., netting agreements and margin calls, obtaining first demand guarantees and parent company guarantees, transaction clearing, etc.

Operational risks are assessed and managed by a specialist team. Periodic reviews and failure analyses ensure systematic improvement in internal procedures.

Liquidity risk is assessed by stress tests. Surpluses are invested in highly liquid products.

The risk-exposure limits defined for the activities of GDF SUEZ Trading are measured and monitored daily, and General Management and the Risk Committee are automatically notified if a limit is overrun.

In accordance with the Basel II regulations, GDF SUEZ Trading tracks equity capital needs on a daily basis and reports them to the ACP.

The efficiency of the risk control framework is regularly tested in audits supervised by the internal auditors and the banking supervisory authorities.

International Power (IPR)

International Power plc is a world leading independent power generator operating across 30 countries with 75,579 MW in operation and a significant programme of 12,820 MW projects under construction as at December

31, 2011. Following the combination of International Power and our Energy International business (outside Europe), the enlarged International Power is active in six business areas (Latin America, North America, UK-Europe, the Middle East, Turkey and Africa (META), Asia and Australia).

Generating value for the long-term is central to the business model. To achieve this, the company uses a portfolio management approach, which involves maintaining a balanced portfolio in terms of geographical spread, fuel, technology and contract type. This provides access to multiple opportunities, whilst mitigating risks through diversification.

In addition to operations in power generation, International Power seeks to create industrial synergies through investing in closely linked businesses such as downstream LNG, gas distribution, desalination and retail.

International Power maintains a balanced presence in both merchant and contracted markets, providing the business with a stable platform of long-term contracted earnings and cash flow, overlaid by merchant generation which offers a greater potential for superior returns when market conditions are favorable.

International Power is focused on operating efficiently and responsibly to maximize the value from its current portfolio and to deliver growth in shareholder value. The strategy to realize this growth is based upon: (i) building new generation capacity in fast growing emerging markets; (ii) capturing the benefit from recovery in merchant markets (iii) delivery of synergies and efficiency improvements from the combination with GDF SUEZ (iv) recycling of capital; and (v) selective acquisitions.

Until July 2, 2012, International Power plc shares were listed on the London Stock Exchange with ticker symbol IPR. Following our acquisition of the non-controlling interests on June 29, 2012, we hold 100% of the voting rights of IPR. On July 2, 2012, International Power's shares were delisted from the London Stock Exchange.

Altogether, IPR activities represented nearly €15,754 million of revenues in 2011 for a total workforce of 4,761[17] people as of December 2011.

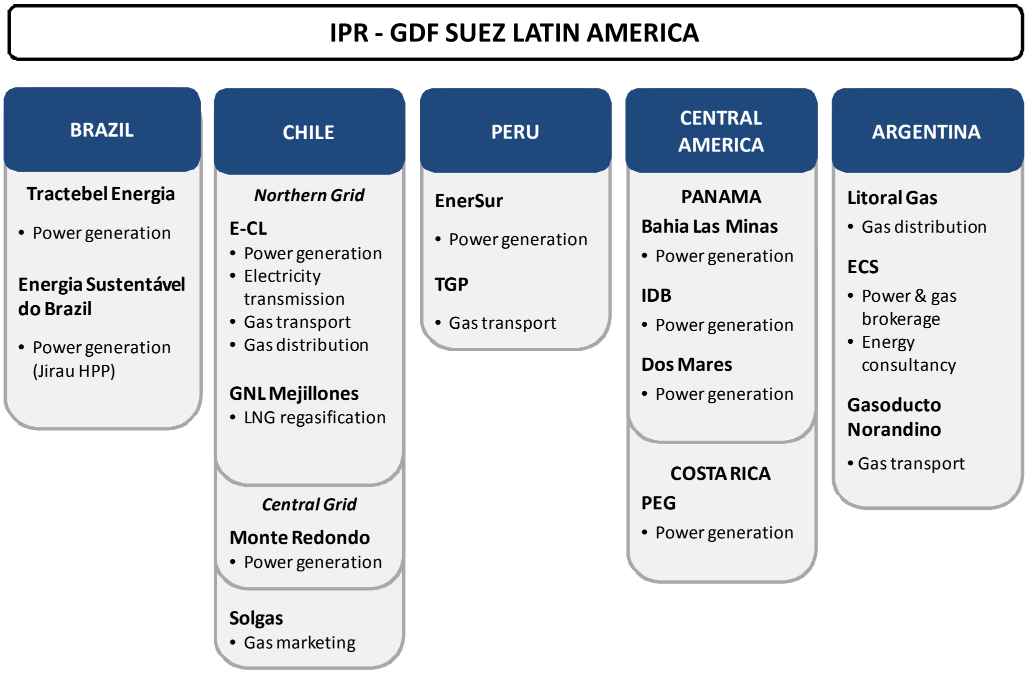
Note*	Latin America	North America	UK-Europe	Middle East, Turkey & Africa	Asia	Australia
Capacity in operation (GW).....................	11.5	14.9	13.9	22.1	9.6	3.5
Capacity in construction (GW)................	5.5	0.4	0	4.0	2.9	0
Electricity production (TWh)	57.3	48.1	32.3	93.6	51.3	22.3
Electricity sales (TWh)............................	49.2	79.2	34.9	19.6	21.8	24.2
Gas sales (TWh)	17	63.4	23.5	3.9	2.4	2.3

* All information as of December 31, 2011. Installed capacity is consolidated at 100%; sales figures are consolidated according to accounting rules.

Latin America

IPR - GDF SUEZ Energy Latin America (IPR-GSELA) manages all of our gas and electricity activities in Latin America which are mainly located in Brazil, Chile and Peru but also in Panama, Costa Rica and Argentina. IPR-GSELA is organized into five countries/regions: Brazil, Chile, Peru, Central America and Argentina.

[17] Total number of employees of fully consolidated companies, proportionately consolidated companies and companies accounted for under the equity method.



IPR-GSELA manages more than 11.5 GW of power capacity in operation and a further 5.5GW of power capacity is in the construction phase.

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

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

Brazil. In Brazil, IPR-GSELA's existing power assets and the development of selected small and medium sized power plants are managed by Tractebel Energia (TBLE). The development of large projects is carried out by International Power Energy Latin America Participações Ltda. TBLE, the country's largest independent electricity producer, is 68.7% owned by International Power (which is in turn owned 70% by GDF SUEZ). TBLE shares are traded on the Novo Mercado stock exchange. TBLE sells the majority of the electricity that it produces through bilateral contracts entered into with distribution companies and industrial customers. The company operates an installed capacity of 8,522 MW mainly generated through hydropower projects (this figure takes into account the full ramp-up of the 1,087 MW Estreito hydro power plant, expected for 2012). This represents approximately 7% of the total installed power generation capacity in Brazil.

The first four generation units, out of eight, of the Estreito hydro power plant are operational since end of 2011. TBLE holds a 40.1% interest in Estreito; this portion stands for 256 MW assured energy which has already been sold under 30-year contracts starting in 2012.

In 2008, IPR-GSELA won, with its partners, the concession to build, own and operate the 3,300 MW Jirau greenfield hydropower project. In 2011, the capacity of the project was increased to 3,750 MW, with the addition of six generating units. The project is 50.1% owned by IPR- GSELA and 30-year power purchase agreements (PPAs) have been entered into with distribution companies for the off-take of 73% of the project's 2,184 MW assured energy production. The price payable under the PPAs was set through an auction process, and is adapted for inflation. These PPAs will become effective in 2013 and 2014 (new units). The remaining assured energy will be sold on the free industrial market. In September 2011, the flow of the Madeira river was deviated to pass through the gates of the project's spillway. Maximum assured energy level is expected to be reached in H2 2013.

Peru. In Peru, IPR-GSELA owns 61.73% of EnerSur, which has an installed power generation capacity of 1042 MW. In 2011, EnerSur is the second largest private power generator in Peru, and the third overall. EnerSur has a market share of around 16%. EnerSur shares are traded on the Lima stock exchange.

Projects under construction include the conversion of the 541MW thermal power station at ChilcaUno near Lima to a combined cycle facility with an expected total capacity of about 807MW; the construction of a new 112 MW hydroelectric power plant at Quitaracsa, 500 km to the north east of Lima, and the construction and operation of a 564 MW thermoelectric plant located in Ilo (south of Peru), as a reserve power facility to guarantee the supply and power reliability of the National Interconnected Electric System (SEIN). These three projects are expected to be fully operational between end 2012 and 2014. In December, EnerSur entered into a supply contract with Hidrandina SA for up to 120 MW of power for the regulated electricity market in 2012 and 2013.

IPR-GSELA also has natural gas transmission activities with a 8.1% stake in TGP, which transports natural gas and liquid natural gas in Peru.

Chile. E-CL is the fourth largest generation company in Chile and is the leading company in electricity generation in Northern Chile, with an installed capacity of 2,309 MW. IPR-GSELA owns 52.76% of E.CL shares. Its subsidiary Electroandina operates a 2,080 km long transmission network and its subsidiary Distrinor supplies industrial customers through its distribution network.

In July/August 2011, E.CL's Andina and Hornitos coal-fired power plants (Fluidized Bed technology) started commercial operations, contributing 300 MW of generation capacity to the SING (*Sistema Interconectado del Norte Grande*).

IPR-GSELA also holds a 63% stake in the Mejillones LNG terminal (GNLM) which became commercially operational in April 2010. In November 2010, GNLM launched the construction of an onshore LNG storage tank. The storage tank, which will be completed by third quarter of 2013, will have a capacity of 175,000 m^3.

In January 2011, Solgas was created as a 100% IPR-GSELA affiliate, dedicated to purchasing, selling and distributing gas to industrial clients. Since April 2011, Solgas is selling natural gas sourced from GNLM to industrial clients connected to the NorAndino pipeline.

In Chile's Central Electricity Grid, our two main assets are:

- Monte Redondo, wind farm, of which the commercial operation capacity reached 48MW on February 2, 2011.
- Laja 1 Hydropower Plant, a 34 MW run-of-the-river plant under construction, with commercial operations expected for the second quarter of 2012.

Panama. Currently, IPR-GSELA holds 391 MW installed capacity and is the second largest independent electric power producer in the Panama electricity market.

IPR-GSELA holds a 51% controlling interest in the 249 MW Bahia Las Minas thermal generating complex. IPR-GSELA also controls and operates the I.D.B Cativa 83 MW thermal plant. IPGSCA IPR-GSELA also acquired two concessions (Gualaca, Lorena y Prudencia) for the construction of three hydro-electric power plants, with an expected total capacity of 118 MW. The first two plants are operational. The last plant, Prudencia, is now expected to become fully operational in 2013.

Costa Rica. In 2008, IPR-GSELA entered the Costa Rican market and now controls and operates the 50 MW Guanacaste wind farm which became operational in 2009.

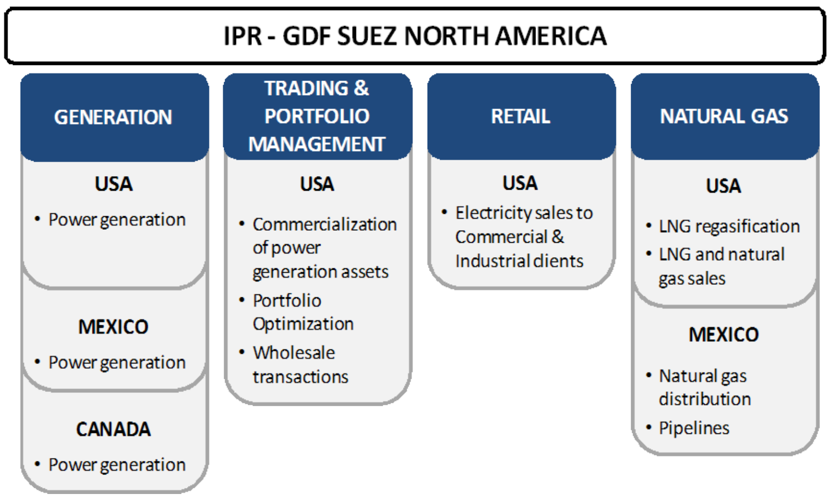
Argentina. In Argentina, IPR-GSELA holds an indirect 64% interest in Litoral Gas SA, a gas distribution company which has approximately 635,000 customers and a market share of 12% in terms of volume delivered according to the regulatory authority, ENARGAS. In addition, IPR-GSELA holds a 46.7% interest in ECS (Energy Consulting Services), an electricity and gas retail and consultancy company. IPR-GSELA also holds a 78.9% interest in Gasoducto Norandino, a gas transmission company connecting Argentina with Northern Chile.

Bolivia. On May 1, 2010, the Bolivian state nationalized a number of electricity companies in Bolivia. Among these companies was *Empresa Electrica Corani SA*, a 147 MW power station that became an asset of Energy Europe & International in October 2008 through the acquisition of Econergy. Empresa Electrica Corani SA was 50% owned by GDF SUEZ and was our only asset in Bolivia.

Negotiations have been taking place since July 2010. On October 21, 2011 a settlement agreement was signed with the Government of Bolivia in relation to the Corani nationalization. The settlement agreement recognizes GDF SUEZ' entitlement to a payment for its former shareholding in Corani; this payment was received early October 2011. The international dispute has been cancelled by agreement of both parties.

North America

IPR - GDF SUEZ North America (IPR-GSENA) manages all our electricity and gas activities in the United States, Canada, and Mexico. The various activities in which IPR-GSENA operates span an integrated value chain ranging from liquefied natural gas (LNG) importation and regasification, to wholesale and retail electricity sales to commercial and industrial customers.



IPR-GSENA is organized into three business entities — power generation, retail sales to commercial and industrial customers, and natural gas/LNG — with a central portfolio management group to optimize the interface between each unit.

IPR-GSENA has an ownership interest in, or has under construction a portfolio with 15.3 GW of electric power and cogeneration capacity, over 3,200 tons per hour of steam production and 39,000 tons per hour of chilled water production. Of this capacity, 1.8 GW are powered by wind, solar, hydro, and biomass. IPR-GSENA's natural gas assets include an LNG receiving terminal in Everett, Massachusetts, which began operations in 1971 and the Neptune LNG deepwater port close to Gloucester, Massachusetts. These facilities serve most of the gas utilities in New England and key power producers, meeting approximately 20% of New England's annual gas demand.

Through its retail entity, GDF SUEZ Energy Resources NA, Inc., IPR-GSENA currently serves commercial and industrial customers in 11 US states — Delaware, Texas, Massachusetts, Maine, Maryland, New York, New Jersey, Ohio, Pennsylvania, Illinois, Connecticut — plus Washington, DC.

IPR-GSENA is a major importer of LNG into the United States and is working to build on its gas position in the Northeast by integrating domestic sources of natural gas and expanding industrial and commercial sales. IPR-GSENA intends to continue its work to grow its retail power business and strives to build links between its power, gas and renewable businesses.

Business development in North America is currently focused on greenfield renewable projects, seeking to benefit from various government incentives for renewable resources. In Canada, IPR-GESNA has nearly 400 MW of wind and solar projects in or near construction.

United States. IPR-GSENA is headquartered in Houston, Texas, and employs over 1,600 people in the United States. IPR-GSENA owns and operates the Everett terminal just north of Boston, Massachusetts, which has the capacity to deliver approximately 700 million cubic feet of natural gas per day to the New England market. IPR-GSENA also owns the Neptune offshore LNG deepwater port, located 16 km off the coast of Gloucester, Massachusetts. When fully operational, the Neptune facility will have a design send-out capacity of 400 million cubic feet of natural gas per day, on average, and will supplement deliveries made to the Everett terminal. IPR-GSENA also leases approximately 10 billion cubic feet of natural gas storage throughout the United States. IPR-GSENA owns, operates, or has under construction a portfolio of electrical power and cogeneration plants of nearly 14.3 GW in installed capacity and 2,900 tons per hour of steam. The energy produced by these facilities is sold in the open market or distributed to commercial and industrial entities under long-term PPAs. From 2008 through 2010, IPR-GSENA was the largest importer of LNG into the United States and its territories according to the US Department of Energy, and has maintained this position year-to-date through September of 2011.

IPR-GSENA operates one of the largest biomass portfolios in North America with 127 MW of biomass capacity. IPR-GSENA's retail affiliate serves over 80,000 customer meters with an estimated peak load of over 10,000 MW.

In July 2011, IPR-GSENA brought Astoria Energy II online. Astoria II is a natural gas-fired power plant and has an installed generating capacity of 575 MW. The project provides electricity to the New York Power Authority under a 20-year PPA contract.

Mexico. In Mexico, our gas activities include six natural gas distribution companies (Guadalajara, Querétaro, Tampico, Tamauligas, Puebla, and Mexico Distrito Federal) delivering natural gas to about 370,000 customers through a 8,460 km long distribution network and two gas transmission companies (*Energia de Mayacan*, *Gasoducto del Bajio*) operating 900 km of pipelines. In Mexico, the company also manages three steam-electricity cogeneration plants with a total installed capacity of 279 MW. Output from these power plants is sold under long term contract to industrial clients as well as to Mexican authorities.

Canada. IPR-GSENA's Canadian operations are built around a central theme of clean generation, including a wind generation fleet of 331 MW located in eastern Canada, and a clean-burning natural gas plant of 112 MW in Windsor. In addition, the company has nearly 400 MW of wind and solar projects in or near construction.

In July 2011, GDF SUEZ completed the sale of its stake in *Gaz Metro*, a regulated natural gas distribution company in Quebec, with interests in regional pipelines, storage assets, and renewable and conventional power generation.

United Kingdom - Europe

IPR - GDF SUEZ UK-Europe is a power generation and energy sales business of over 1,200 employees, operating in the UK and across Western Europe. IPR - GDF SUEZ UK-Europe manages a diversified energy production mix. It includes our energy activities in the UK and activities in Western Europe that are part of International Power.

The business has a diversified portfolio of 13,889 MW of operational generation assets across the UK and seven other continental European countries. The power plants range from conventional coal, oil and gas-fired plant to pumped storage and renewables such as wind, hydro and solar.

IPR-GDF SUEZ UK-Europe

UK

Generation assets in operation

Gas
Deeside Power
Derwent Cogeneration
Saltend Cogeneration Company
GDF SUEZ Shotton
GDF SUEZ Teesside
Coal
Eggborough Power
Rugely Power
Light fuel oil
Indian Queens power
Pumped Storage
First Hydro Company
Wind
Scotia Wind (Craigengelt)
Crimp Wind Power

Retail businesses

B2B[1] Power and Gas	GDF SUEZ Energy UK
B2B Power	IPM Energy Retail
B2B Power and Gas	OPUS Energy

NOTES
[1] B2B – Business to Business
[2] In the process of divestment in line with EU ruling relating to the IPR transaction

EUROPE

Generation assets in operation

Gas	
Belgium	T-Power[2]
Portugal	ElecGas
Portugal	Turbogas
IGCC	
Italy	ISAB energy
Coal	
Portugal	Tejo Energia (Pego)
Wind	
France	Levanto GSEF
Germany	P Maestrale
Germany	Levanto 2
Germany	Levanto GSEF
Germany	Levanto SEL
Germany	Schkortleben
Italy	P Maestrale
Italy	Parco Eolico Giritalco
Netherlands	Levanto I
Netherlands	Levanto II
Solar	
Italy	ISAB Solar
Spain	Desarroollos España, sol
Water	
Spain	Electrometalurgica del Ebro
Spain	Iberica de energias

In the UK, the business has a diverse portfolio of 9,233 MW of merchant generation capacity as well as a retail business supplying about 23 TWh of gas and 13 TWh of power to business customers across mainland UK (England, Scotland and Wales).

The business has 3,358 MW of contracted thermal plant in Portugal, Italy and Belgium.

The business also has a significant renewable business with 1,236 MW of onshore wind primarily located in Italy and Germany, but with a presence also in the UK, France and the Netherlands. In addition there is also hydro and solar generation in Spain.

The business strategy of IPR—GDF SUEZ UK-Europe aims at enhancing existing business performance while looking to develop retail activities, UK renewable generation activities and explore development opportunities for the existing generation fleet.

UK. In the UK, IPR - GDF SUEZ UK-Europe is a major electricity generator with a merchant generation fleet of 11 power plants that consists of a broad mix of generation types including conventional coal, light fuel oil, gas-fired plant, pumped storage and wind. The business is also active in the supply of both power and gas to business customers.

The IPR - GDF SUEZ UK-Europe generation portfolio in the UK operates a number of gas fired power plants. The business owns Teesside power station (1,875 MW) and the Shotton power plant (210 MW). It has a 33% ownership interest in the Derwent power station (210 MW), a 75% ownership interest in Deeside power station (515 MW) and a 75% interest in Saltend power station (1,197 MW). Saltend operates as a CHP plant and benefits from a long term steam off-take agreement.

IPR - GDF SUEZ UK-Europe owns 75% of First Hydro Company (2,088 MW), one of the UK's most dynamic electricity generators, responsible for the management and operation of the pumped storage plants at Dinorwig (1,728 MW) and Festiniog (360 MW) in the Snowdonia region of Wales.

In addition, IPR - GDF SUEZ UK-Europe holds interests in two coal fired power stations, with a 75% ownership of Rugeley power station (1,026 MW) and a 10% ownership of Eggborough power station (1,960 MW). In addition to these assets, the business also holds a 75% ownership of the light fuel oil-fired power station at Indian Queens (129 MW).

IPR - GDF SUEZ UK-Europe is also actively developing a wind generation portfolio in the UK. It currently owns two wind farms: Scotia Wind (Craigengelt), a 20 MW wind farm located near Stirling in central Scotland and a 2.4 MW wind farm at Crimp in North Cornwall. The company is developing a further 47 MW of projects at a number of consented sites and has also agreed to acquire a consented site to develop a major wind farm on the Isle of Lewis in Western Scotland.

IPR - GDF SUEZ UK-Europe is a partner with a 45% stake in Meygen, a tidal energy development project in the Inner Sound of the Pentland Firth, in Northern Scotland. The project is expected to develop 20 MW installed capacity by 2014 with a development plan aimed at installing further capacity over the period to 2020 as the technology becomes proven.

IPR - GDF SUEZ UK-Europe has a trading business which trades UK power, UK gas, EU Carbon, and coal, to manage the commodity price exposures associated with its generation assets and retail market position.

GDF SUEZ Energy UK and IPM Energy Retail are IPR - GDF SUEZ UK-Europe's retail business brands, supplying electricity and gas to business customers (commercial and industrial). The combined retail business, based in Leeds, is one of the top six suppliers of power and gas to business customers, supplying around 5000 business premises with approximately 13 TWh of power and around 9,000 business premises with approximately 23 TWh of gas. IPR - GDF SUEZ UK-Europe also has a 30% ownership interest in OPUS an electricity and gas supplier to around 100,000 smaller and medium sized business premises.

Europe. IPR - GDF SUEZ UK-Europe operates the IPR portfolio of European assets. The thermal assets operate under long term contracts, whilst the renewable assets operate in markets which benefit from incentives for renewable generation.

Italy. IPR - GDF SUEZ UK-Europe owns 100% of the 550 MW wind portfolio Maestrale in Southern Italy and 75% of the 27.5 MW Parco Eolico Girifalco wind development. As well as wind developments, IPR - GDF SUEZ UK-Europe has a 34% stake in ISAB a 532 MW integrated gasification combined cycle (IGCC) power plant located at Priolo in Sicily adjacent to one of Italy's largest refineries which is owned and operated by ERG, partner in the ISAB energy project.

Germany. The activities of IPR - GDF SUEZ UK-Europe in Germany focus solely on the production of electricity from wind developments.

IPR - GDF SUEZ UK-Europe owns a wind generation portfolio of 583 MW in total. This is comprised of a number of wind assets: Maestrale (86 MW), Levanto SEL (98 MW), Levanto GSEF (311 MW), Levanto 2 (58 MW) and Schkortleben (28 MW).

Portugal. In Portugal, IPR - GDF SUEZ UK-Europe has an ownership interest in three thermal plants all of which benefit from long term off-take contracts.

IPR - GDF SUEZ UK-Europe owns 50% of the recently completed Elecgas CCGT (840 MW) and 50% of Pego (576 MW) a coal fired plant which has been retrofitted with emissions abatement technologies. Both plants are located at a site near the Tejo river in Abrantes, north east of Lisbon and are operated by Pegop, thus building on the synergies available at the site. Pegop is a joint venture with Endesa.

IPR - GDF SUEZ UK-Europe also owns Turbogas a (990 MW) CCGT at Medas, Gondomar, east of Oporto in northern Portugal.

France. In France IPR - GDF SUEZ UK-Europe is the owner of the Levanto GSEF wind projects (27 MW).

Netherlands. In the Netherlands IPR - GDF SUEZ UK-Europe owns two wind projects totaling some 29 MW: Levanto Netherlands I (14 MW) and Levanto Netherlands II (15 MW).

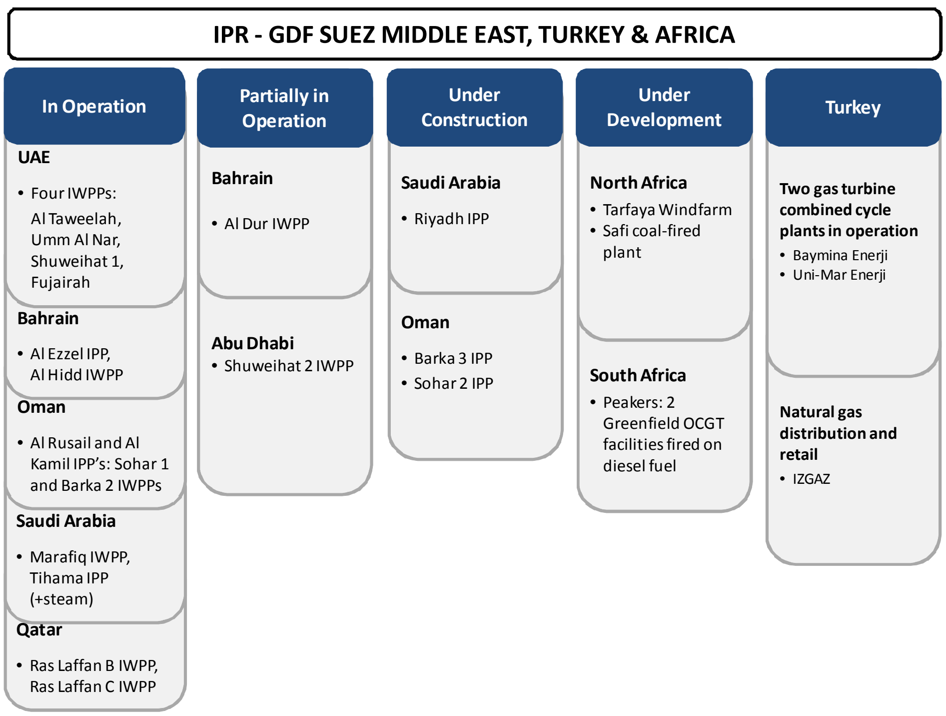
Spain. In Spain IPR - GDF SUEZ UK-Europe holds a 67% interest in two operating companies, Iberica (48 MW) and EMESL (36MW), which together are responsible for the operation of 18 hydroelectric power stations.

These stations are grouped into four geographical clusters being mainly dependent upon the Ebro and Duero Rivers, in the Pyrenees area in North East Spain.

There is also a small solar project (1 MW) operated via S.L. IPM Eagle Desarroollos España, sol.

Middle East, Turkey & Africa

Through the combination of GDF SUEZ Energy Europe & International's non-European assets with International Power plc in February 2011, International Power plc (IPR) became a 70% subsidiary of GDF SUEZ. At the time of the combination, IPR created a new enlarged Business Area in the Middle East, covering the Middle East, Turkey and Africa region (IPR-GS META), shown below.



Post combination, IPR-GS META has become the largest Independent Power and Water Producer (IPWP) in the region, with more than 22.1 GW of capacity and 4.1 million m³ per day of water in operation and 4.0 GW of capacity and 0.7 million m³ per day of water under construction, in its two regional strongholds in the Gulf Cooperation Council (GCC) countries and Turkey. Its businesses in the GCC remain focused on the construction and operation of large scale combined power and water desalination plants, while in Turkey the portfolio is made up of two gas-fired power plants and a natural gas distribution and retail business. IPR-GS META is headquartered in Dubai, with three regional offices in Turkey (Istanbul), Morocco (Casablanca) and South Africa (Johannesburg).

IPR-GS META's primary objective is to provide substantial, robust and profitable growth, by being a leading developer and operator in a selection of the fastest growing energy markets in its region. To do this, IPR-GS META's strategy focuses on maintaining its strong positions in certain markets such as United Arab Emirates (UAE), Oman, Saudi Arabia, Bahrain and Qatar, while developing in other markets that are characterized by high growth potential combined with a stable regulatory environment and attractive foreign investment climate, such as Turkey, Morocco and South Africa.

Middle East. In the Gulf Cooperation Council (GCC) countries, IPR-GS META manages all its activities through its Dubai Headquarters, which oversees and manages the development, construction and operational activities of our energy business in the region. It acts as an asset developer, selling the energy and water it produces directly to public distribution companies under long-term P(W)PAs. It is the leading private power developer in the region with a total gross power generation capacity in 18 assets (including capacity in operation and under construction) of 24,939 MW and more than 4.7 million m³ of water per day of desalination capacity. It is common in the Middle East IPP business model for projects to be part owned by the host governments/off takers, leading to an IPR-GS META average equity shareholding of 34% across its portfolio. IPR-GS META conducts the operations of all of the plants that it owns, often through an arms-length Operations & Maintenance contract.

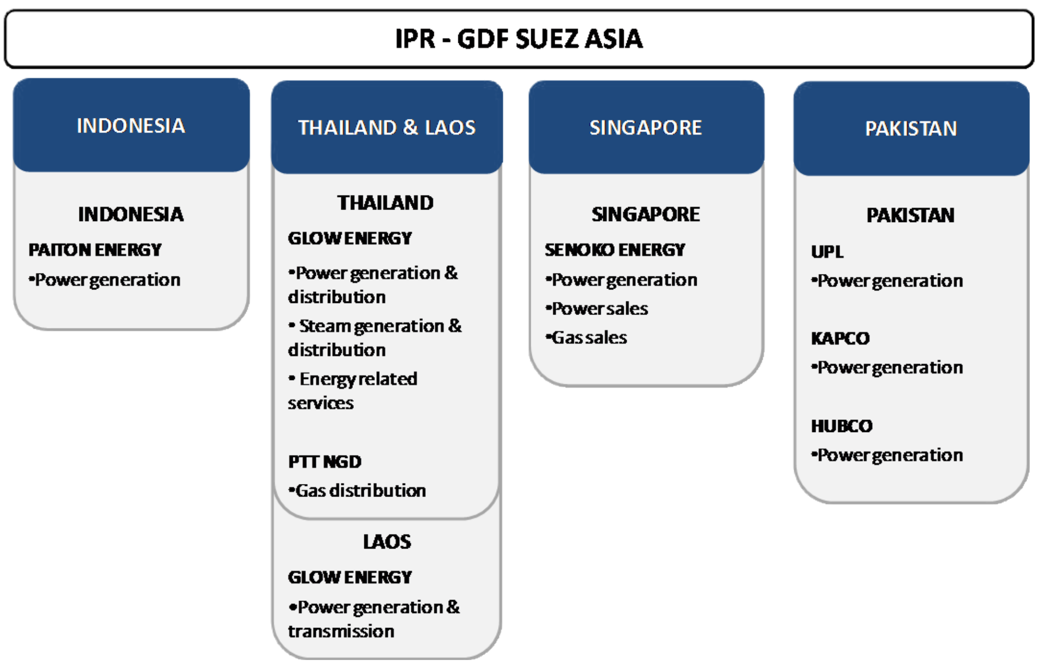
In 2011, IPR-GS META has added a total of 4,730 MW to its operational portfolio by achieving the full commercial operation of two IPWPs (Independent Power and Water Plants), Fujairah II in the UAE and Ras Laffan C in Qatar, with a further 2,744 MW expected to be fully commissioned early 2012 at Shuweihat 2 in Abu Dhabi and Al Dur in Bahrain.

Turkey. IPR-GS META has a presence in two assets in the Turkish power generation sector through its 95% stake in the 763 MW Baymina Enerji power company and a 33% stake in the 480 MW Uni-Mar power plant. These combined cycle gas turbine power stations are located approximately 40 km from Ankara and 100 km to the west of Istanbul respectively. The power they generate is sold to the national distribution company in Turkey under long-term PPAs. IPR-GS META also has an asset in natural gas distribution with IZGAZ, Turkey's third largest natural gas distributor. The company distributes and markets natural gas to residential, commercial and industrial customers in the Kocaeli region, 80 km east of Istanbul.

Africa. In conjunction with consortium partners, IPR-GS META is developing projects to build, own and operate three new IPP projects in Africa, which could add a gross capacity of approximately 2,600 MW to its portfolio. The first of these projects, the 300 MW Tarfaya IPP in Morocco was awarded in mid-2010. The second project consists of two peaking power stations in South Africa, totaling 1,000 MW gross capacity. The third power station is the 1,320 MW Safi supercritical coal power plant in Morocco, awarded in December 2010.

Asia

IPR - GDF SUEZ Asia has strongholds in four countries: Indonesia, Pakistan, Singapore and Thailand (incl. Laos). Its businesses in Asia include the construction and operation of power plants and natural gas distribution systems.



IPR - GDF SUEZ Asia's primary objective is to provide substantial, robust and profitable growth by being a leading developer and operator in a selection of the fastest growing energy markets in its region. To do this, the Business Area's strategy focuses on maintaining its strong positions in certain markets, while targeting to grow its assets based in Indonesia and Thailand and at the same time enter into new countries in Asia (possibly Vietnam, Philippines, India, etc.).

Indonesia. IPR—GDF SUEZ Asia holds a 40.5% economic stake in Paiton 7/8, a 1,280 MW coal-fired power plant located on the island of Java. The other consortium members are Mitsui (40.5%), TEPCO (14%) and PT Batu (5%). Paiton 3, a 815 MW extension, is under construction, with commercial operation date (COD) expected in 2012. A PPA for both Paiton 7/8 and Paiton 3 exists up to the year 2042.

Pakistan. In Pakistan, IPR—GDF SUEZ Asia holds shares in two different entities:

- 75% in UPL - 551 MW gas-fired capacity,
- 36% in KAPCO 1345 MW oil/gas-fired capacity.

IPR—GDF SUEZ is also constructing a new gas-fired unit (UCH 2—100% ownership), for which COD is expected in 2013.

Thailand. The Glow group, in which we hold a majority interest (69.1%), is a major participant in the Thai energy market with a combined installed capacity in Thailand and Laos of 2454 MW of electricity. The Glow group generates and supplies electricity to the Electricity Generating Authority of Thailand (EGAT) under Thailand's SPP (Small Power Producer) and IPP (Independent Power Producer) programmes, in addition to supplying electricity, steam, industrial water and services to large industrial customers principally located in the Map Ta Phut industrial area in Thailand and nearby. In 2011 Glow took over the activities of Thai National Power Co Ltd (TNP) (which were 100% owned by International Power before the combination with GDF SUEZ). The Glow group has an additional 772 MW of power generation capacity currently under construction (COD expected in 2012).

We also own a 40% stake in PTT National Gas Distribution Co. Ltd., a distributor of natural gas to industrial customers in the Bangkok region. The company is 58% owned by PTT PCL, the primary oil, gas and petrochemical company in Thailand.

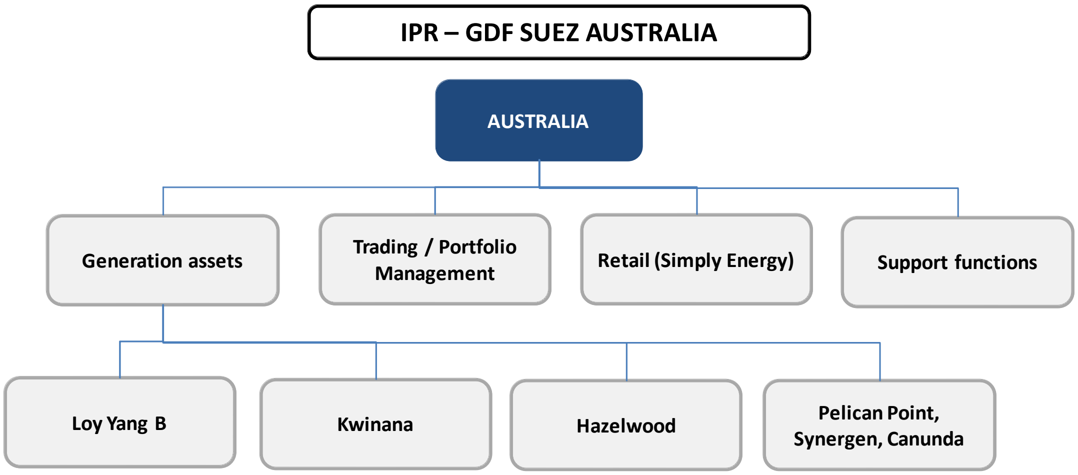
Singapore. GDF SUEZ, as a member of a consortium alongside Marubeni, Kansai, Kyushu and Japan Bank for International Cooperation (JBIC), holds a 30% stake of Senoko Energy, one of the three largest power generators in Singapore with about 25% market share in power generation. Senoko Energy owns and operates a unique portfolio of power generation assets offering a combined registered capacity of 2,550 MW.

Senoko Power Station has a repowering project ongoing that will replace three old 250 MW oil-fired plants by two modern gas-fired units of 430 MW each, that will be put into commercial operation in the summer of 2012.

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

Australia

IPR - GDF SUEZ Australia is a system player in the liberalized markets in Australia. The Australian business is focused on a portfolio of generation assets operating in the National Electricity Market (NEM) that serves 90% of Australian population and demand resident in the eastern states of Australia. The portfolio also includes a co-generation asset in the separate South Western Integrated System (SWIS) market that serves Western Australia, and a substantial second-tier retail business in the NEM serving circa 300,000 electricity and gas accounts in the domestic, small to medium enterprise (SME) and large commercial and industrial (C&I) customer segments.



IPR - GDF SUEZ Australia is focused on delivery of shareholder value through optimal participation of its portfolio of assets in the relevant Australian electricity, gas and renewable energy markets, exploration of potential synergies with other GDF SUEZ businesses in Australia, and opportunistic growth of its generation and retail portfolios, including renewables.

IPR - GDF SUEZ Australia' current competitive position in the generation markets is summarized in the following table:

	Market Share in Power (Capacity)	Rank[(1)]	Market Share in Power (Energy)	Rank
NEM	7%	5	11%	3
Victoria	25%	1	37%	1
South Australia	18%	2	23%	3
Western Australia	approx. 2%	NA	approx. 5%	NA

(1) Based on installed capacity by ownership.

Simply Energy holds a market share between 5% and 6% in both gas and electricity across the Victorian and South Australian retail markets.

Business Activities.

IPR - GDF SUEZ Australia participates in the electricity and gas wholesale and retail markets in Australia utilizing the following portfolio of assets:

- Canunda (Wind, South Australia, 46 MW)
- Pelican Point (Gas, South Australia, 479 MW)
- Synergen (Gas / Distillate, South Australia, 396MW)
- Hazelwood (Brown Coal, Victoria, 1,542 MW)
- Loy Yang B (Brown Coal, Victoria, 955 MW)
- Kwinana (Gas, Western Australia, 122 MW)
- Simply Energy (Retail gas and electricity, Victoria/South Australia)

Regulatory Framework

The following is a discussion of the regulatory framework relevant to the business operations of our Energy Europe & International operations described above.

Belgium

Since 2008, Belgian authorities have claimed each year a nuclear contribution levy on the nuclear power industry of about €250 million, of which the largest share has been imposed upon Electrabel (€213 million in 2009, €212.3 million in 2010, and €212.2 million in 2011, each on a pre-tax basis). In 2011, Electrabel filed an appeal against the levy for the years 2008, 2009 and 2010 with the Brussels Court of first instance. See Note 26.1.16 in our FY 2011 financial statements.

On October 22, 2009, we entered into a protocol agreement with the Belgian State, signed by the Prime Minister and the Energy Minister. This agreement marked a shared commitment to seeing us continue to operate in Belgium in a long-term stable legal framework. In it, the Belgian State undertook not to raise the amount of the nuclear contribution and to extend the operational lifetime of the nuclear plants Doel 1, Doel 2 and Tihange 1 by 10 years (from 40 to 50 years) and we agreed to pay certain levels of nuclear contribution levies on an annual basis.

However, following the nuclear accident that occurred in March 2011 in Fukushima (Japan), several European governments, including Germany and Belgium, have called into question their position on nuclear power. The Belgian authorities imposed stress tests in order to assess the risks of the nuclear power plants. Electrabel fully cooperated in designing and carrying out these tests in Belgium. At the end of October 2011, we presented our reports to the Federal Agency for Nuclear Control (FANC). The results of the FANC report issued in December 2011 were positive for Electrabel.

The Belgian Council of Ministers announced a series of decisions on the electricity market following its meetings on July 4 and July 20, 2012. In particular, the Belgian government confirmed the following schedule and removed the possibility – provided for by Article 9 of the Act of 2003 on the phase-out of nuclear power – to derogate from the phase-out schedule by ordinary Royal Decree:

- the Doel 1 and Doel 2 reactors will be closed in 2015, while the operating lifetime of Tihange 1 will be extended by ten years until 2025;
- the Doel 3, Tihange 2 and Tihange 3/Doel 4 reactors will be closed in 2022, 2023 and 2025, respectively.

The Council of Ministers also announced certain other decisions, including the offering to the market of the nuclear capacity that would be extended. It also confirmed its intent to continue receiving a nuclear contribution during the current parliamentary term.

The Group publicly expressed that as a result of these decisions the Belgian government was not complying with the Memorandum of Understanding entered into in October 2009, which contains firm and reciprocal commitments that are binding on the parties, especially as regards the ten-year extension of the lifespans of the Doel 1, Doel 2 and Tihange 1 nuclear power plants.

No information was provided that allows us to assess the economic sustainability of the nuclear capacity that would be extended and offered to the market. At this stage, the content and consequences of most of these announcements remain unclear, both in terms of the energy landscape as a whole and the conditions in which the measures announced are to be implemented and applied. Accordingly, and pending further clarification, we are prepared to meet with the government to put forward our position and obtain the necessary clarifications on the economic aspects.

At this stage, on the basis of the information available at the date of publication and of independent expert reports, we have not modified our position with respect to our vision of the power industry and, in particular, we consider that nuclear power production will still be necessary to ensure the security of supply in Belgium beyond 2025.

Within the framework of the 10-year inspection on Doel 3 which started on June 1, 2012, Electrabel performed tests in order to ensure that the reactor vessel is exempt from a certain types of defects (so-called "undercladding defects") which were in the past detected in the EDF nuclear plants of Tricastin and Fessenheim (France). The inspections in Doel 3 did not reveal any presence of undercladding defects, but other indications were found which could not be immediately justified. Experts have further investigated these indications and assume that these indications constitute so-called "hydrogen-related defects". Additional analyses are in progress and during these analyses plant operation is halted until an estimated date of December 1, 2012. The results of the analyses will be submitted to the Belgian FNCA (Federal Nuclear Control Agency). The reactor of Doel 3 will not restart operations without formal agreement by the FNCA.

The Tihange 2 reactor vessel, given its similar characteristics and fabrication origin, is currently undergoing a similar inspection as Doel 3. Indications of a nature identical to those found in Doel 3 were detected. Tests and analysis in progress will continue and will be presented to the competent authorities for a decision regarding restarting the plant.

The electricity wholesale market is very open and the use of the interconnection capacity with the neighboring countries is available for all suppliers in order to enhance market liquidity and competition. The available interconnection capacity amounts to almost 40% of Belgium's domestic demand, which makes Belgium one of the most interconnected countries in the European Union. The trilateral coupling of the Belgian, French and Dutch day ahead wholesale markets has proven its ability to operate efficiently leading to converging prices in the three markets. This market coupling has been extended to Germany as from November 9, 2010, which is an important step in the development of the Central West European market and its integration with the Nordic market. In 2011 initiatives have been taken to further integrate the national markets amongst other things by setting up cross border intraday power markets; such an integration should allow us to further optimize our operations in this regional market and allow transmission system operators to cover their balancing and reserve capacity needs more efficiently.

As a consequence of the liberalization process of the electricity and gas markets, Electrabel's and our involvement in grid activities in Belgium has been substantially reduced over the past years. In 2010 we had already completely exited the capital of the national transmission system operators Fluxys (gas) and Elia (electricity), and Electrabel had also significantly reduced its involvement and financial participation in the distribution system operators. In 2011, the company has decided to fully waive its participation in the board of the Flemish distribution grid company Eandis, and to only maintain a minority share with limited voting rights in the intermunicipal companies that act as distribution system operators in the Flemish region.

The Netherlands

In the framework of its annual budget presentation the Dutch government has proposed a 'Green Deal' with the power sector, which will encourage the necessary investment to reach the Netherlands' 2020 target for renewables and stimulate the Dutch economy. Highlights of this covenant are the introduction of a 10% biomass co-firing obligation for existing coal-fired power plants during the period 2012-2014 and the aim to replace the existing SDE (*Stimulering Duurzame Energieproductie*) subsidy scheme for renewables by a market-based supplier quota system as of 2015.

GSEN is actively involved, either directly or indirectly via the new national association *Vereniging Energie Nederland*, in discussions on regulation, and is systematically assessing the impact of changes in legislation and market structure on its business. Specific issues discussed in 2011 are a new retail market model linked to the planned large scale roll-out of smart electricity and gas meters and the gas quality management in the Dutch grid which becomes more important due to increasing imports of natural gas.

Germany

The overall objectives set by the German government in October 2010 for the transition into the "era of renewable energies" have been confirmed. The allocation of supplemental production quotas to the nuclear power plants however has been subject to a complete u-turn after the Fukushima accident when eight of the 17 nuclear plants had to be shut down immediately in the framework of a three month's moratorium. Later the government decided an immediate closure of the plants that were subject to the moratorium and a complete phase out of nuclear generation in Germany by the year 2022.

We are closely watching the development of the regulatory framework for renewable energy in Germany and are exploring options for investing in renewable energy sources together with its municipal partners. A first investment has been made with the acquisition of a 12.5 MW onshore wind farm in Helmstadt, northern Bavaria.

Europe

European Union legislation applies to all countries in which GSEE is active, except Turkey. GSEE will pay particular attention to the EU-ETS phase III regulation, with possible derogations from EUA auctioning for Poland, Hungary and Romania. The transposition of the Industrial Emissions Directive is also closely followed by the GSEE.

Locally, GSEE is monitoring closely regulatory developments with a possible impact on its activities: renewable support regulation (Poland, Portugal, Spain, Italy), capacity remuneration schemes (Spain, Italy) and gas tariff regulation (Hungary, Romania).

Poland – privatization program. In the context of the current Privatization Program (2008-2011), Polish state-owned electricity producers are being privatized. To facilitate the process, several changes to the legislation were made, among which: increase in the openness and transparency of the privatization process; authorization of the free transfer of stocks and shares owned by the Treasury to local government authorities; authorization of the sale of stocks/shares of companies by public auction; simplification and shortened length of privatization processes.

Turkey. Natural gas supply and supply contract management is ensured by BOTAS, the national oil & gas transport company, while gas distribution sector is serviced by private companies or municipal authorities. The country's second largest gas distribution company, Ankara based Baskent Dogalgaz, was privatized in 2010 and Igdas, Turkey's largest gas distribution company, which is serving Istanbul, is set for privatization in 2011.

In May 2001 the Turkish Parliament passed a law for the liberalization of the gas market, aimed at ending the monopoly of BOTAS opening up the market in the import and distribution of gas to private companies. In 2010, 5 companies were active in gas imports, and around 10 companies were active in the supply business. A demerger of BOTAS has also been considered but no decision has yet been made. New gas laws are in the final stage of approval, with the aim of going further to open the market.

Brazil

In 1997, a period of privatization in the electricity sector began which resulted in the transfer of the majority of the distribution activities to the private sector, as well as 20% of the generation assets. Between 2003 and 2005, the Brazilian government introduced the current regulatory regime for the electricity market. In general terms, this system grants the federal government increased control at all levels of the electricity market by virtue of its involvement in the regulatory authority, the network management and the wholesale market. A pooling system was established to create a transparent framework for long-term contracts with distribution companies. The pool, which operates as a risk-sharing tool among producers, is a mandatory supply channel for distribution companies. The model involves auctions (*leiloes*) held regularly by the government whereby concessions for the construction of new production capacity (especially hydroelectric) are awarded to those bidders prepared to offer the lowest energy rates. A distinction is made between "old" (existing capacity) and "new" (new developments and expansions of existing sites) energy, with the latter being awarded longer-term contracts. Power not sold to distribution companies can be freely sold in bilateral contracts with free industrial clients. Private and public power producers have participated actively in the new energy auctions and the new system has proven to be effective in attracting the investment needed to increase the country's energy production.

Peru

The regulatory framework is based on unbundling of activities in generation, transmission and distribution. These activities have been partially privatized. As a result, all new investment in generation capacity has been and is being done by the private sector. Around 1/3 of Peru's generation sector is still controlled by state owned company ElectroPeru, the country's largest power generator.

Chile

The electricity sector in Chile was fully privatized in 1982, and its regulatory system has been relatively stable since then.

However, in 2004 (mainly due to a severe drought) number of relevant modifications were introduced one of which was aimed at bringing security of supply to residential customers: long term supply contracts were established for the distribution companies, through open auctions. In 2008, the publication of the 20.257 Law started the promotion of Non Conventional Renewable Energies (NCRE).

It is important to highlight that given the high degree of liberalization of the electricity market in Chile, the role of the State is limited to regulating and supervising (mainly through the relevant regulatory authority (*Superintendencia de Electricidad y Combustibles*)), while the private sector takes the investment initiatives.

Panama

In Panama, the state owns 12% of the total generation capacity and holds a 49% interest and 50% interest in all privatized thermal and hydro assets respectively. It also controls 100% of the transmission assets.

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

Costa Rica

The electricity market is vertically integrated, owned by the state and controlled by the Costa Rican government. The ICE (*Instituto Costarricense de Electricidad*) acts as the single buyer. The current regulatory framework allows private investment in renewable generation projects but such investment is capped at 50 MW per project and must be pursued through the "Build-Operate-Transfer" scheme. Only 15% of the country's capacity may be owned by private generators. The regulatory framework also allows for 20-year IPP projects below 20 MW to be built under the "Build-Own-Operate" scheme.

Argentina

The government suspended de facto the application of the pre existing regulatory framework since the situation of emergency declared in 2002. No new regulation has been established yet, only very few tariff adjustments were implemented in the energy sector.

United States

In the United States, interstate wholesale electricity and natural gas markets are regulated by the Federal Energy Regulatory Commission (FERC). Since landmark federal energy legislation was enacted by the United States Congress in 1992, the FERC has issued successive regulatory orders in the 1990s and during the 2000s to remove barriers to competition in wholesale electricity markets. Currently, over 60% of electricity consumed in the United States is delivered through one of the 10 North American Independent System Operators (ISOs) or Regional Transmission organizations (RTOs) that were created to facilitate electricity competition. The FERC is actively shaping development of transmission citing, demand response, smart grid/smart meter and clean energy technology.

The Wall Street Transparency and Accountability Act of 2010 was signed into law on July 21, 2010. As of this writing, two rules that have an impact on IPR-GSENA's business became effective in 2011 — the "Anti-Manipulation" Rule, effective August 15, 2011, and the "Whistleblower" rule, effective October 24, 2011. IPR-GSENA expects the Commodity Futures Trading Commission to further define the conditions under which a business entity is designated as a Swap Dealer and those transactions that would be qualified as Swaps, by the end of 2011, with compliance expected in 2012. The precise impact on IPR-GSENA's operations in the US will not be known until the final regulations are published.

Retail electricity and natural gas sales to customers are regulated in the United States by each of the 50 states' public utility commissions (plus the utility commission in the District of Columbia).

Mexico

In Mexico, regulation of the electricity and natural gas markets is the remit of the *Comision Reguladora de Energia* (Energy Regulatory Commission). The aims of the *Comision Reguladora de Energia* include encouraging productive investment and promoting competition in the electricity, natural gas and oil markets. The state electricity company, CFE, estimates it will need over 32 GW of new generation capacity between 2011 and 2025, and intends to make approximately 13 GW of capacity available for tender through an IPP program.

Canada

Canada generates approximately 20% of its electricity from coal-fired generation, second behind hydro. In terms of renewable energy, the province of Ontario has led the way with a self-imposed deadline to retire all coal plants by the end of 2014. In 2009, Ontario's Green Energy and Green Economy Act was passed as the mechanism to promote this phase-out by providing Feed-in-Tariff (FIT) treatment for renewable resources.

United Kingdom

The UK is a fully liberalized energy market with competition in both generation and supply and an independent regulator OFGEM (The Office of Gas and Electricity markets). Government energy policy is focused on incentivizing low carbon generation. The government is currently consulting on a package of energy market reforms; the main elements being considered are; a new renewables incentive mechanism based around technology specific Contracts for Differences, some form of capacity mechanism and an Environmental performance standard.

The UK government has decided to introduce a carbon tax with effect from April 2013.

The Gulf Cooperation Council (GCC) and Africa

The regulatory frameworks in the different countries of the GCC are quite similar, with competitive tenders launched by the power authorities calling for private power producers to bid for concessions to build, own and operate power generation/water desalination assets. The output is then sold by the private producer to a public utility under long-term contracts, the terms of which are stipulated at the tender stage. A similar single buyer model has also been adopted in the Moroccan and South African markets.

Turkey

Historically Turkey has been a PPA market with a single buyer, like the Middle East. In view of its EU accession aspirations, the Turkish electricity market was planned to be liberalized in line with EU legislation in March 2001 with the introduction of the Electricity Market Law. This legislation aimed at creating a more competitive and transparent market and encourage much-needed private investment. The law superseded the former build, operate, transfer (BOT) and transfer of operating rights (TOR) schemes, with no further PPAs expected to be awarded. In January 2004, the market was opened to consumers of more than 7.8 GWh per year. This threshold was lowered slightly in 2005 to 7.7 GWh resulting in 29% of customers in Turkey being eligible, with 100% to be eligible by 2015. Merchant market trading has been gradually introduced with daily settlements on the Balancing and Settlements Market commencing at the end of 2010.

The reform of the energy sector also involved the progressive privatization of 21 electricity distribution networks, which was finalized in 2010, as well as 16 GW of power generation assets, with the first tender for 1,000 MW commencing in April 2011.

Indonesia

State owned incumbent PLN has the monopoly on transmission and distribution systems. PLN also owns and operates around 50% of the existing generating capacity. Since the mid-1990s IPP's have been allowed to operate in

Indonesia. They now operate the other 50% of the generating capacity. The end-user market has not been liberalized.

In December 2009, the "Crash 2 program" for 10,000 MW of new generation capacity was launched. This second program is very different from the first one in two ways:

- 50% of this new capacity is to come from IPPs and 50% from PLN,
- 5,340 MW of new capacity will come from renewable resources.

Pakistan

All power generated by IPP's in Pakistan is sold under long term PPAs to the distribution companies. The end consumer market is not liberalized. Around 50% of generation capacity is held by private IPPs, while the remainder is held by state-owned entities.

Thailand

The Electricity Generating Authority of Thailand (EGAT), a state-owned body, is the main entity in the electricity sector. Until liberalization of the sector, EGAT generated around 95% of Thailand's power with the remainder being accounted for by captive generation. EGAT now directly accounts for about 50% of total generation capacity while the rest is accounted for by the non-government sector comprising independent power producers, small power producers and imports from Laos and Malaysia.

In 1994, the launch of the government's first power purchase tender process represented the beginning of the IPP programme in Thailand. IPPs in Thailand sell the energy that they produce to EGAT under long-term contracts, the terms of which are stipulated at the IPP tender stage. The Map Ta Phut industrial estate is an exception in that Glow Energy has a license to generate, distribute and sell power and steam to industrial customers.

Singapore

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

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

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

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

In order to promote efficiency and competition in the electricity market, vesting contracts were introduced on January 1, 2004 pursuant to which generation companies are committed to sell a specified amount of electricity at a specified price (which is based on the long run marginal cost of a new entrant).

Australia

Australian energy markets have been progressively deregulated and liberalized since the mid-1990s, when the first wholesale electricity market was introduced in Victoria, associated with progressive privatization of that state's electricity assets. The level of private and state-owned energy infrastructure varies between states.

Under an agreement called the Competition Principles Agreement between state and federal governments, publicly-owned businesses in competitive markets are treated in a manner intended to ensure competitive neutrality between state-owned and private market participants.

The NEM is a deregulated merchant wholesale market serving the interconnected eastern states of Australia, and has been in operation since 1998. Electricity is traded across an interconnected transmission system, incorporating former state-based grids, which is in total around 4,000 km from Queensland to South Australia.

The NEM is a near real-time, energy-only, gross pool, spot market with no capacity payments. Up to 48,000 MW of winter generation capacity (scheduled and non-scheduled) is dispatched on a five-minute basis over five states, with marginal prices averaged across half-hourly trading intervals for settlement purposes. Wholesale contracts are almost exclusively financial derivatives referencing NEM spot prices.

Gas markets exist in Victoria, South Australia and New South Wales, and are significantly less developed than the electricity market.

Three entities govern the operation of the NEM and eastern states gas markets:

- The Australian Energy Market Operator (AEMO) is the independent market and system operator;
- The Australian Energy Market Commission (AEMC) is responsible for market rule-making and market development;
- The Australian Energy Regulator (AER) is responsible for ensuring compliance with the market rules, and regulates transmission and distribution pricing nationally. It will also take over regulation of retail markets from the states from July 1, 2012, when uniform national retail regulation is planned for implementation.

The SWIS market is isolated from the NEM by distance and is a separate deregulated market with energy and capacity payments and an independent market and system operator.

Clean Energy Future—Emissions Trading Scheme. The Australian Federal Government is moving to introduce a greenhouse gas emissions reduction scheme and has stated that it is committed to a medium-term national target of reducing emissions between an unconditional 5% of 2000 levels by 2020, and more aggressive targets of up to 15% or 25% of 2000 levels by 2020 conditional on the extent of action by other nations.

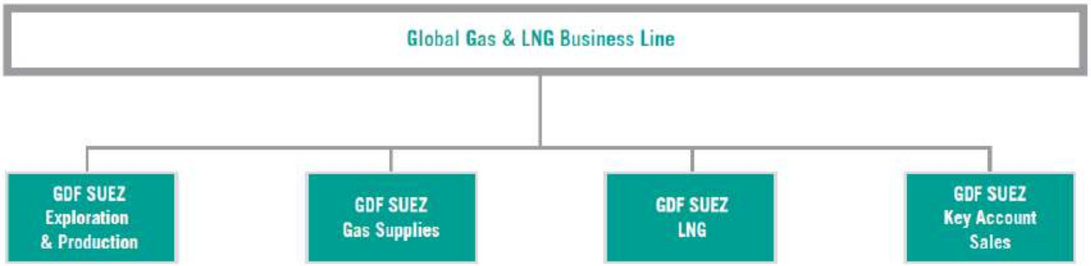
On July 10, 2011, the Government announced a new Climate Change Plan for Australia titled 'Clean Energy Future' to implement this commitment. The scheme, which is planned to commence on July 1, 2012, will consist of a three year period of a fixed price on carbon emissions of AUD23 per tonne (indexed), and then a market-based (and internationally linked) "cap and trade" emissions trading scheme (ETS) from July 1, 2015 onwards. This will have a CO_2 floor price of AUD15/tonne (indexed) and a cap which is AUD20/tonne above the expected international price for the first three years of the ETS. The 18 Bills comprising the Clean Energy Future package were passed by both houses of parliament on November 8, 2011.

Global Gas & LNG

The primary mission of the Global Gas & LNG business line is to supply us and our customers with competitively priced gas secured by short-, medium- and long-term contracts for gas and LNG concluded with third-party producers, by its own production, and by its access to organized markets. It optimizes the balance between GDF SUEZ's natural gas resources and needs by portfolio management activities. It develops GDF SUEZ's activities in the LNG sector directly or in collaboration with other Group entities. It also trades in natural gas and LNG on its own account. Lastly, it markets natural gas and related services to large European companies.

The main strategic objectives of the Global Gas & LNG business line are therefore (i) to capitalize on its sustainable relationships forged with natural gas producers, to grow its reserves, and to develop, secure and diversify its supply portfolio to satisfy its customers' needs; (ii) to consolidate our international leadership in LNG by leveraging the expertise we have acquired as a Group in every segment of the LNG value chain; (iii) to continue developing sales to large European companies; and (iv) to enhance the value of its assets within a stringent risk management framework.

Composed of four business units (Business Units)[18] plus steering and support functions, the Global Gas & LNG business line had some 2,400[19] employees as of December 31, 2011.



Key Figures

- Gas purchases: 675.2 TWh;
- Hydrocarbon production: 57.8 Mboe;
- Reserves at December 31, 2011: 789 Mboe;
- Sales of gas to European Key Accounts: 147 TWh[20] (including 144 TWh excluding intra-group).

Business Units

GDF SUEZ E&P

Principal key indicators

Our E&P activity is concentrated essentially in Europe and in North Africa. Since a few years, this activity has been developed in other regions of the world, such as the Caspian Sea, Asia and Oceania. As of today, we are active in 16 countries: the United Kingdom, Norway, the Netherlands, Germany, France, Greenland, Egypt, Libya, Algeria, Mauritania, Ivory Coast, Azerbaijan, Qatar, Indonesia and the United States (Gulf of Mexico). In addition, there are ongoing efforts with the objective of entering Russia and Kazakhstan.

At December 31, 2011, we posted the following results:

- 344 exploration and/or production licenses held (of which 56% are operated by us);
- proven and probable (2P) reserves of some 789 million barrels oil equivalent (Mboe), of which 74% is natural gas and 26% liquid hydrocarbons;
- production of 57.8 Mboe, of which 67% is natural gas and 33% liquid hydrocarbons.

Mission and strategy

E&P is a key activity in our strategic integration throughout the gas value chain. Its mission is based on three major objectives: (i) to achieve the size and status of a major “independent E&P company” through value creating growth in the medium term and rationalization of its assets portfolio; (ii) to promote synergies with other entities in

18 The Gaselys business unit left the Global Gas & LNG business line in 2011 as part of the project launched at the end of 2010 to unify our trading entities.

19 Including GAZOCEAN workforce.

20 Including sales to utilities and intragroup sales.

the Group, mainly through integrated projects in LNG or electricity production; and (iii) to pursue its activities within the framework of sustainable development, by strengthening its health, safety and environmental performances, while respecting ethics and contributing to the reduction of CO_2 emissions;

In order to increase its 2P reserves portfolio and its production (through internal and external growth), we plan to maintain its asset portfolio in current production areas within Northern Europe, to accelerate our development in North Africa, to extend our activities in new areas such as the Caspian Sea (Azerbaijan and Kazakhstan), Asia (Indonesia), the Arctic (the Barents Sea and Greenland) and the Middle East and to consolidate its presence in Australia.

The partnership agreement signed with CIC will also support the GDF SUEZ E&P investment program in order to pursue expansion of its portfolio in the short and medium term.

Business Unit's Activities

Legal framework of the E&P activities

We operate our exploration-production activities within the framework of licenses, concessions and production-sharing agreements drawn up with the public authorities or national companies of the countries involved. Depending on the type of license, contract or legislation in force, we undertake to conduct an exploratory program and, if successful, is entitled to develop and exploit the fields concerned for a certain amount of time, subject to national authorities approving its development plan. Depending on the circumstances, during the production period, we must pay royalties to those authorities, hand over part of the production, pay a share of our profits and/or pay certain taxes specific to the oil and gas sector.

We usually operate in partnership with one or more oil and gas companies. Under current partnership contracts, one of the parties is generally designated as operator, meaning that it is responsible for conducting day-to-day operations (with the other parties' approval required for important matters such as the adoption of a development plan, major investments, budgets or sales contracts on behalf of the partnership). Only companies approved by local public authorities can be designated as operators.

We have been recognized as an operator in most countries where we are present.

2P reserves

In 2011, 11 exploration and appraisal wells were drilled, six of which were successful. The resources identified will contribute to reserves in the future.

The tables below set out all of our proven and probable (2P) reserves (including developed and undeveloped reserves[21]) and their geographical distribution:

Changes in our Reserves[(1)]

	2011			2010			2009		
Mboe	Natural gas	Liquid hydrocarbons	Total	Natural gas	Liquid hydrocarbons	Total	Natural gas	Liquid hydrocarbons	Total
Reserves as of December 31, N-1	616.1	198.9	815.0	580.8	182.1	762.9	494.4	209.3	703.7
Revision + discoveries	17.8	34.5	52.3	76.9	29.1	106.0	124.1	(8.0)	116.2
Assets bought and sold	(11.0)	(9.6)	(20.6)	(4.0)	1.1	(2.9)	0.8	(4.9)	(4.1)
Production sales	(39.0)	(18.9)	(57.8)	(37.7)	(13.5)	(51.2)	(38.5)	(14.4)	(52.9)
Reserves as of December 31	583.9	204.8	788.8	616.1	198.9	815.0	580.8	182.1	762.9

(1) As amounts are rounded by the database, there may be insignificant variances between line items and totals.

21 Developed reserves are those that can be produced from existing facilities. Undeveloped reserves are those requiring new wells, new facilities or significant additional investments on existing facilities, such as compression units.

Changes in our Reserves by Country

	2011			2010			2009		
Mboe	Natural gas	Liquid hydrocarbons	Total	Natural gas	Liquid hydrocarbons	Total	Natural gas	Liquid hydrocarbons	Total
Germany	54.3	64.8	119.0	63.2	68.3	131.6	74.0	68.5	142.5
Norway	214.2	120.3	334.5	221.4	96.2	317.7	215.9	76.4	292.3
United Kingdom	63.1	2.4	65.5	82.2	21.1	103.3	74.8	24.0	98.9
Netherlands	93.8	7.6	101.4	89.5	2.7	92.2	98.2	3.2	101.4
Other*	158.6	9.8	168.4	159.7	10.5	170.2	117.9	10.1	127.9
Total	583.9	204.8	788.8	616.1	198.9	815.0	580.8	182.1	762.9
Change	(5)%	3%	(3)%						

* "Other" covers Algeria, Ivory Coast, the Gulf of Mexico and Egypt.

On December 31, 2011, GDF SUEZ's 2P reserves of liquid hydrocarbons and natural gas were 789 Mboe, compared to 815 Mboe in 2010. Gas accounts for 74% of these reserves, which represent a volume of 584 Mboe, or 94 billion cubic meters.

For those fields that are operated under a production-sharing agreement, "tax barrels" reserves have been booked in accordance with the Society of Petroleum Engineers (SPE) guidelines for booking 2P reserves. These "tax barrels" reserves correspond to the taxes paid on behalf of GDF SUEZ by its partners, the national oil companies, to the authorities of the respective countries.

Our share in 2P reserves for the fields in which we are a partner (working interest reserves)[22] was 948 Mboe at the end of 2011 compared to 971 Mboe at the end of 2010.

Each year, a proportion of approximately one-third of the reserves is independently evaluated by the DeGolyer and MacNaughton consultancy. Almost all the reserves are therefore evaluated over a three-year cycle. On December 31, 2011, 33% of the 2P reserves had been covered by this evaluation.

To estimate our 2P reserves, we follow the "SPE PRMS" classification, based on the common definitions of the SPE and the World Petroleum Congress (WPC).

These estimates are revised annually to take into account new data—mainly production data for the past year, re-assessment of reservoirs, reserves from acquisitions, development of discoveries and reserves sold—as well as economic factors.

Unless otherwise specified, the references made to 2P reserves and production must be understood as our stake in these reserves and production (net of all license charges taken in kind by third parties in the form of crude oil or natural gas). These references include the total of the net 2P oil, gas, and other hydrocarbon reserves estimated as being extractable for the remaining duration of the licenses, concessions, and production-sharing agreements.

The 2P reserves replacement ratio for a given period is defined as the ratio of 2P reserves additions for the period (discoveries, net acquisitions and revisions of reserves) to production for the period. The reserves replacement ratio for our 2P reserves was an average of 153% over the 2007-2009 period, 195% over the 2008-2010 period, and 153% over the 2009-2011 period.

Production

During the fiscal year ended December 31, 2011, GDF SUEZ's production of gas and liquid hydrocarbons was 57.8 Mboe.

22 Under production-sharing agreements, some of the hydrocarbons produced are returned directly in kind to the government. These volumes are not recognized as 2P reserves and are therefore lower than the reserves calculated on the basis of the working interest reserves.

The tables below set out GDF SUEZ's production, including the share from companies consolidated by the equity method, by country.

Change in our Production by Country - Natural Gas and Liquid Hydrocarbons

	2011			2010			2009		
Mboe	**Natural gas**	**Liquid hydrocarbons**	**Total**	**Natural gas**	**Liquid hydrocarbons**	**Total**	**Natural gas**	**Liquid hydrocarbons**	**Total**
Germany	5.6	3.3	8.9	6.4	3.1	9.5	7.2	3.3	10.5
Norway	10.9	11.6	22.5	7.3	6.5	13.8	6.2	6.5	12.8
United Kingdom	4.8	2.6	7.3	5.8	3.0	8.7	6.6	3.8	10.5
Netherlands	15.6	0.5	16.1	16.9	0.5	17.3	17.7	0.5	18.1
Other*	2.1	0.9	2.9	1.3	0.5	1.8	0.7	0.3	1.0
Total	39.0	18.9	57.8	37.7	13.5	51.2	38.5	14.4	52.9

* "Other" covers Algeria, Ivory Coast, the Gulf of Mexico and Egypt.

E&P activity by country

France. The Head Office of the E&P activity directs and controls the operational activities of the subsidiaries and New Assets Development (NAD). The Head Office combines the strategy and growth, finance, geosciences and exploration, projects and operations departments. The activity is managed through five subsidiaries and five agencies.

Germany. At December 31, 2011, we owned a stake in 54 oil and natural gas fields in Germany, including 50 in production, with proven and probable reserves of 119 Mboe, including approximately 46% in the form of natural gas.

We obtained 10 new licenses in 2011, including nine in the Upper Rhine Valley.

We discovered new oil resources in the Römerberg-3 well near the city of Speyer. More than 4,000 barrels of oil a day were produced in 2011 by the three wells of the Römerberg field.

We also made an oil discovery in the Bart 11 well.

GDF SUEZ E&P Deutschland GmbH sold Storengy Erdgasspeicher GmbH & Co KG to Storengy Deutschland GmbH.

Norway. We own a stake in 20 oil and natural gas fields offshore Norway including five in production, its share of which was 334 Mboe of proven and probable reserves as of December 31, 2011 (including approximately 64% in the form of natural gas).

In November 2010, we became the operator of the Gjøa field for the production phase. Gjøa was officially inaugurated in January 2011 and one riser was successfully replaced, which was experiencing vibration problems in 2011.

The final investment decision was made on license Hyme, a field discovered in 2009 under the name of Gygrid. This field will be tied-back to the Njord platform, with start of production scheduled for 2013.

In our capacity as operator, we drilled an exploration well on the Heilo prospect in the Barents Sea. Despite a very good operating performance, the result of the drilling was inconclusive and the well was declared dry.

United Kingdom. At the end of 2011, we held stakes in 23 fields in the UK North Sea, of which 12 were in production. At December 31, 2011, the share of 2P reserves held by us in these fields represented 66 Mboe, some 96% of which was in the form of natural gas.

In 2011, we relinquished the Millburn license and sold our stake in the Schooner field.

In August 2012, GDF SUEZ as operator with partners Centrica and Bayerngas announced approval of the £1.4 billion Cygnus project to develop the sixth largest gas field in the UK Southern North Sea. GDF SUEZ (38.75%) will operate the field with partners Centrica (48.75%) and Bayerngas (12.5%), with production expected to start in late 2015.

The final investment decision was made for the Harrison license in the southern North Sea and the detailed engineering and construction phase was consequently launched. Gas production is expected to start at the very end of 2012.

The Jacqui and Jackdaw fields are under appraisal, via the drilling of a well on each of these fields.

In block 44/19b, GDF SUEZ discovered the Cameron field, which is currently under appraisal.

We launched an exploration campaign with a high-pressure/high-temperature (HP/HT) well on the Faraday prospect in its capacity as operator (30%).

The Netherlands. We have stakes in 55 fields in Dutch territorial waters, of which 44 are in commercial production. At December 31, 2011, the share of 2P reserves held by us in these fields represented 101 Mboe, 93% of which was in the form of natural gas.

Several final investment decisions were made, enabling the launch of detailed engineering and the main construction contracts:

- the development of L5-Sierra, which is the first HP/HT gas field that we will develop as an operator, following a discovery made in 2010; gas production will start at the end of 2013;
- the development of the Amstel field, which will be the first oil production field for us in the Netherlands; production is expected to start at the end of 2013;
- the development of Orca, a cross-border field that will be operated by our affiliate in the Netherlands on behalf of its Dutch partners, and on behalf of our UK affiliate and its partners; gas production is expected to start in 2014.

We discovered gas in the K12-L well, which started production in September 2011.

At the end of the year, we obtained a new exploration license, K1c, for which we are the operator.

Egypt. GDF SUEZ holds stakes in four concessions in Egypt, two of which are in production.

The engineering and construction phase was launched for the start of gas production from the Assil & Karam fields on the Alam El Shawish West (AESW) license.

We also made an oil discovery in the AESW C1-A well.

Other countries

Algeria. The FEED phase for the Touat project will be completed in the first half of 2012. The call for tenders for the Engineering, Procurement and Construction (EPC) contract will be launched at the end of 2012, and the first well will be drilled in March 2012.

Other. In Mauritania, we own stakes in two offshore blocks: 24% in Block 1 and 27.85% in Block 7. An exploration well was drilled on Block 7 in September 2010. Drilling was completed in January 2011 and resulted in the discovery of additional gas resources. We closed our representative office at the end of 2011.

In the Ivory Coast, we wholly own Enerci, which in turn holds a 12% stake in the Foxtrot field and the adjacent discoveries. The offshore gas production feeds two power stations that provide 60% of the country's needs. A four wells drilling campaign, initially scheduled for early 2011, began at the end of December with the drilling of the Homard prospect.

In Libya, we hold 20% stakes in a license comprising three onshore blocks. We concluded negotiations to acquire the 35% stake held by Repsol in this license.

In the United States (Gulf of Mexico), we relinquished our exploration licenses due to lack of prospectivity but retained two production assets.

In Qatar, we are the operator of block 4 with a 100% stake, and will drill two exploration wells in the period 2012-2013. On December 31, a draft agreement paved the way for the entry of CNPC to the block with a stake of 40%.

In Australia, we signed two contracts with Santos in January 2011 for the study phase of the downstream section (FLNG)[23] and upstream section (start of gas production) of the Bonaparte LNG project. An appraisal well was drilled on the Petrel field. In 2012, the two partners will enter the concept definition phase, in order to identify the optimum technical solution for proceeding to the FEED phase.

In Indonesia, substantial gas discoveries were made on the Muara Bakau license operated by Eni, in which we have a 45% stake. A development plan is being evaluated. The gas produced will be exported to the Bontang liquefaction plant. The Capung well on the same license proved to be dry. At the end of the year, we also acquired a stake in the offshore exploration license of North Ganal, near Muara Bakau in the Kutei basin.

In total, excluding Europe, we hold stakes in 22 licenses (including five in production), in Algeria, Australia, Azerbaijan, Ivory Coast, Egypt, the United States (Gulf of Mexico), Indonesia, Libya, Mauritania and Qatar. At December 31, 2011, the share of 2P reserves held by us in these 22 licenses represented 168 Mboe, some 97% of which was in the form of gas.

Gas marketing

GDF SUEZ E&P produced a total of 66 TWh of natural gas in 2011. About half the natural gas produced by the subsidiaries of GDF SUEZ E&P is sold via other Group entities (GDF SUEZ Gas Supplies, GDF SUEZ LNG and GDF SUEZ Trading).

Internal marketing also takes the form of long-term contracts at arm’s length conditions, similar to third-party supply contracts.

The balance of production is sold directly to third parties, mainly under long-term contracts drawn up before the acquisitions of these companies. GasTerra in the Netherlands, E.ON and EGM in Germany are some of the subsidiaries’ largest customers.

The market risks to which gas contracts are exposed entail entering into hedging agreements with GDF SUEZ Trading.

The long-term contracts under which we sell our gas production vary depending on the subsidiaries and the local markets. They are indexed to gas spot prices and/or to oil product prices. Price revisions are allowed for at regular intervals in order to align them with changes in market benchmarks.

GDF SUEZ Gas Supplies

Principal key indicators

The table below presents the sources of the business line’s supply portfolio for each of the three fiscal years ended December 31, 2009, 2010 and 2011 (excluding its own consumption and losses).

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[23] Floating Liquified Natural Gas.

Breakdown of the Supply Portfolio (Excluding Its Own Consumption and Losses)

	Fiscal year ended December 31		
TWh	**2011**	**2010**	**2009**
Long term contracts with third parties	492.1	519.9	495.4
Purchases from the Exploration-Production Business Unit	34.5	28.1	29.7
Short term purchases	148.7	147.2	139.8
Total	**675.2**	**695.2**	**664.9**

Role and strategy

GDF SUEZ Gas Supplies acquires the volumes of natural gas and the transport capacity required by its customers in Europe (marketing entities or producers of electricity) from the major gas suppliers (including Norway, Russia, Algeria and the Netherlands). It manages the balance between customer requirements and resources on all time horizons.

These activities, conducted interactively with GDF SUEZ LNG and GDF SUEZ Trading, give us a global vision that enables us to secure and optimize our gas portfolio.

The purpose of GDF SUEZ Gas Supplies is to (i) supply our entities at a competitive price, (ii) do this with a level of supply security that is adequate, notably thanks to the geographical diversification of resources and the transport and storage capacity held, and (iii) enable fluctuations in demand to be managed and respond to the specific requirements of some customers, notably by calling on the markets or on short-term resources.

In cooperation with the other business units of the business line or with Group Business Units, GDF SUEZ Gas Supplies is actively developing strategic partnerships with major suppliers. With the marketing entities, it also assesses local opportunities and contributes to creating value in realizing potential gas/electricity synergies. It also markets part of the exploration-production Business Unit's production.

Description of activity

A diversified portfolio

Diversifying our suppliers helps protects us against sporadic supply interruptions and also enables us to tailor our supply needs to all segments of the customer base for the gas markets.

Geographical Distribution of Supply Sources[1] (Including Own Resources)

	Fiscal year ended December 31					
	2011		**2010**		**2009**	
	TWh	**(%)**	**TWh**	**(%)**	**TWh**	**(%)**
Norway	125.6	18.6%	117.2	16.9%	145.1	21.8%
Russia	87.1	12.9%	92.6	13.3%	86.4	13.0%
Algeria	80.6	11.9%	89.9	12.9%	96.8	14.6%
Netherlands	84.1	12.5%	83.7	12.0%	92.2	13.9%
Egypt	31.0	4.6%	42.9	6.2%	54.1	8.1%
Yemen	39.2	5.8%	22.5	3.2%	—	—
Libya	8.3	1.2%	19.8	2.9%	19.8	3.0%
United Kingdom	18.4	2.7%	19.1	2.7%	21.2	3.2%
Germany	3.6	0.5%	3.2	0.5%	3.9	0.6%
Nigeria	—	—	—	—	2.6	0.4%
Unspecified source	48.6	7.2%	57.2	8.2%	2.9	0.4%
Other sources[2]	148.7	22.0%	147.2	21.2%	139.8	21.0%
Total	**675.2**	**100%**	**695.2**	**100%**	**664.9**	**100%**

(1) Excluding exchange contracts and swaps

(2) Mainly purchases on short-term markets

NB: Amounts are rounded by the database: there may therefore be small variances between the line-items and the total.

Gas purchases

GDF SUEZ Gas Supplies brings to the Group one of the largest, most diversified and flexible contract portfolios in Europe, representing a real competitive edge in the natural gas market in Europe.

It consists largely of long-term contracts lasting about 20 years. At December 31, 2011, the average residual term of these long-term contracts (weighted by volume) was 13.9 years. This portfolio is balanced through purchases in short-term markets via GDF SUEZ Trading. GDF SUEZ Gas Supplies thus adjusts its supplies to our requirements by optimizing its purchasing costs.

According to market practice, the long-term purchase contracts include take-or-pay clauses, according to which the buyer agrees to pay for minimum gas volumes each year, whether or not delivery occurs (except in the event of supplier default or force majeure). Most contracts also stipulate flexibility clauses: these are compensation mechanisms that allow volumes already paid for but not taken to be carried over to a subsequent period (make-up) or limited volumes to be deducted from the take-or-pay obligation, when the volumes taken over the course of previous years exceeds the minimum volumes applicable to these years (carry forward).

The price of natural gas under these contracts has historically been indexed to the market price of energy products with which gas is directly or indirectly substitutable (mainly oil products). In addition, these contracts provide for periodic revisions of price and indexing formulae to account for market changes. Finally, most contracts provide for the possibility of adjusting prices in exceptional circumstances, over and above the periodic reviews.

In certain cases, it is possible to change other contractual provisions in response to exceptional events affecting their economic balance (hardship clause).

The parties are then required to negotiate in good faith and can, in the event of disagreement, revert to arbitration.

Supply contracts stipulate one or more delivery points. The delivery points of gas delivered by pipeline are spread across the entire European transport system and, in the case of LNG, are mainly sited at vessel loading docks at suppliers' liquefaction plants.

GDF SUEZ constantly seeks to match its portfolio to the market situation. This entails drawing up new contracts and performing price reviews. In a context marked by the decoupling of oil prices, to which the long-term contracts are indexed, from those of the gas sold in the market place, GDF SUEZ Gas Supplies started negotiations with all its principal suppliers in 2009, mainly to ensure that the new market conditions are taken more into account.

At December 31, 2011, references to the price of gas sold on the marketplace concerned more than a quarter of the volumes in our long-term contract portfolio in Europe.

Short- and long-term booked capacities

Thanks to short- and long-term capacity reservation contracts, GDF SUEZ Gas Supplies has natural gas receiving and land and sea shipping capabilities downstream of the delivery points. It currently owns the rights of use needed to perform its supply contracts. In answer to questions posed by the Directorate General for Competition of the European Commission in July 2009, we have undertaken to make capacity available on the open market at its terminals at Montoir-de-Bretagne and Fos Cavaou as well as at its points of entry at Taisnières and Obergailbach. In addition, from October 2014 at the latest, GDF SUEZ must hold less than 50% of natural gas (including LNG) long-term entry capacity into France for a period of 10 years. It is the responsibility of GDF SUEZ Gas Supplies to turn these new commitments into reality, while making sure it is able to meet its supply contracts.

Relationships with major natural gas suppliers

GDF SUEZ Gas Supplies has established long-term relationships with the major suppliers. These relationships may be further enhanced by various partnerships that involve other Group entities. A strategic protocol was signed with Sonatrach, which led to the 2001 creation of a joint commercialization company, MedLNG&Gas. Co-operation with Gazprom in the LNG segment initiated in 2005, in particular, led to the sale in 2010 of 15 LNG cargoes to Gazprom over a period of 2½ years. 2011 also saw the entry into service of the first section of the Nord Stream gas pipeline.GDF SUEZ acquired a shareholding in Nord Stream AG in 2010.

Optimized management of Group supply

GDF SUEZ Gas Supplies manages its natural gas portfolio on our various European markets at different time scales, in order to minimize its total supply costs.

The supplies are established first and foremost by long-term contracts. These contracts give the buyer a certain flexibility in delivery volumes. GDF SUEZ Gas Supplies optimizes its portfolio management through highly diversified supply sources. Short- or medium-term purchases from long-term suppliers or other dealers allow it to fine-tune the balance between the needs of its internal customers and our resources.

GDF SUEZ Gas Supplies performs arbitrage transactions by buying and selling on the short-term markets and carries out transactions in which it buys and sells energy-related derivatives as part of its risk management policy.

It makes short- and long-term sales to European gas operators. The table below shows the change in sales to operators and in short-term markets for each of the last three years.

Gas Sales* (Statutory Accounts)

	Fiscal year ended December 31		
TWh	**2011**	**2010**	**2009**
Operator sales	20	23	20
Short-term market sales	90	63	86
Unspecified	2	5	Not available
Total	**111**	**90**	**106**

* Excluding exchange contracts and swaps.

NB: Amounts are rounded by the database: there may therefore be small variances between the line-items and the total.

In addition to reconciling contracts in the best possible way and using short- and medium-term transactions, we use our booked capacity in underground storage facilities as a management tool. Gas stored over the summer, using volume flexibility allowed in the supply contracts, helps meet additional customer demand in winter by guaranteeing supply continuity to our customers, thus complying with the legal requirements governing all natural gas suppliers: in France, we must be able to supply all our customers without contingency clauses, to deal with severe weather conditions that statistically occur no more than twice a century - a condition known as the “2%” risk.

GDF SUEZ Gas Supplies also provides natural gas re-delivery and trading services to third-party operators, primarily Statoil, Shell, Total, ConocoPhilipps, Eni and Enel.

GDF SUEZ LNG

Our positions in LNG

- largest LNG importer in Europe;[24]
- leader in the Atlantic basin;
- third-largest LNG importer in Europe;[25]
- management of a portfolio of long-term supply contracts from six countries;

24 Source: 2011 Waterborne database.

25 Source: PFC, 2011.

- regasification capacity in four European countries (France, Belgium, Spain and the United Kingdom), in the United States (New England, Gulf of Mexico), Puerto Rico and Chile, in order to supply our customers;
- at the end of December 2011, a fleet of 18 ships (owned or chartered), including two LNG regasification vessels (also known as Shuttle and Regasification Vessels, or SRVs);
- under development: an onshore liquefaction project in Cameroon and an offshore E&P/LNG integrated project in Australia (Bonaparte LNG).

Description of the LNG activities in the Group

LNG gives us access to new natural gas resources and helps us diversify and secure our supply. It also enables us to develop new markets and to optimize the management of our gas supply portfolio. The LNG business is being developed in coordination with our upstream activities (E&P) and downstream activities (natural gas supply and power production).

Role and strategy

- developing and diversifying the supply portfolio by investing in integrated (E&P / liquefaction / marketing) projects and developing long-term purchase contracts with major producers (IOCs, NOCs);
- safely, reliably and economically supplying our various entities with LNG, as part of our global gas supply portfolio, through the management of all our LNG supply and vessel chartering contracts;
- creating additional value through (i) business development (new internal and external markets, new sources of supply, new investments in liquefaction plants and regasification terminals) and (ii) physical and financial optimization of our LNG portfolio.

LNG supply and positions in liquefaction

We buy our LNG volumes under long-term (15-20 years) and medium-term (1-5 years) supply contracts. We also make spot cargo purchases. Our contractual annual long-term commitments are as follows (at December 31, 2011):

	Annual LT commitment	**GDF SUEZ's stake in liquefaction plants**
Algeria	102 TWh	—
Egypt	55 TWh	5% of Idku train 1
Nigeria (DES contract[1])	6 TWh	—
Norway (12% stake connected to the Snøhvit deposit)	7.5 TWh	12% of the Melkøya plant
Trinidad and Tobago[2]	29.5 TWh	—
Yemen	39 TWh	—
Shell (LT agreement from 2014 – DES contract[1])	5.7 TWh	—

(1) Delivered ex-ship.

(2) The contract with Trinidad and Tobago is handled contractually by GDF SUEZ Energy North America.

To strengthen its diversification and security of supply, GDF SUEZ LNG is also involved in the development of liquefaction plants:

- An integrated E&P/LNG project in Australia: in August 2009, we and Santos announced a strategic partnership to develop a 2 Mtpa floating LNG liquefaction plant in the Bonaparte Basin, off the coast of Australia. We therefore purchased a 60% stake in the Petrel, Tern and Frigate offshore gas fields, which will supply the project, in February 2010. We are the sole operator for the project (E&P and LNG), in which we also hold a 60% stake (see "—E&P" above). We will also market and transmit the LNG. In December 2010, GDF SUEZ Bonaparte allocated the pre-FEED contract to Granheme (upstream) and DORIS Engineering (midstream) to carry out the preliminary engineering studies;

- An onshore liquefaction plant in Cameroon: the project will comprise construction of an onshore liquefaction plant with a maximum annual capacity of 3.5 Mt, supplied by a national transmission network connecting it with Cameroon's offshore natural gas fields. The site for the plant, allotted to the LNG project by the government in May 2010, is located close to the planned deep water port at Kribi. In June 2010, under their partnership for the development of the LNG export project, GDF SUEZ and SNH (Société Nationale d'Hydrocarbures, the national company responsible for hydrocarbons in Cameroon) jointly awarded to Foster Wheeler the pre-FEED contract to carry out the preliminary engineering studies. In December 2010, we also signed a framework agreement with SNH setting out the key terms of the project. In 2011, SNH and we signed preliminary commercial agreements with Euroil and Perenco. These agreements contain the principles that will govern the sale to Cameroon LNG of natural gas produced by these upstream oil and gas operators in Cameroon. The final investment decision has not yet been made.

LNG destination and positions in regasification terminals

In 2011, unloadings were carried out mainly in Europe, North America and South America and were developed to the east of the Suez Canal.

Our Long-Term Positions in Regasification Activities in 2011

	Regasification terminal	Access to regasification capacity	GDF SUEZ's stake in regasification terminals	Comments
France	Montoir-de-Bretagne	Yes	100%	*Terminals owned and operated by Elengy (a wholly-owned subsidiary of GDF SUEZ), subject to the rules of access to LNG terminals for third parties.*
	Fos Tonkin	Yes	100%	
	Fos Cavaou	Yes	72.15%	*Terminal owned by Société du Terminal Méthanier de Fos Cavaou (a subsidiary 72.15% owned by GDF SUEZ), operated by Elengy and subject to the rules of access to LNG terminals for third parties.*
Spain	Huelva, Cartagena	Yes	—	
United Kingdom	Isle of Grain	Yes	—	
Belgium	Zeebrugge	Yes	—	
United States	Everett	Yes	100%	*Terminals owned and operated by Distrigas of Massachusetts (a wholly-owned subsidiary of GDF SUEZ).*
	Neptune	Yes	100%	
	Sabine Pass	Yes	—	
	Freeport	Yes	—	
Chile	GNL Mejillones	Yes	63%	*GNL Mejillones S.A. is 63% owned by the Energy Europe & International business line and 37% owned by Codelco.* *In particular, the LNG supply to the terminal is provided by GDF SUEZ LNG.*
Puerto Rico	Penuelas	Yes	35%	*Access via a long-term sales contract.*
India	Dahej	No	10%	*Terminals owned and operated by Petronet LNG Ltd. (a company in which GDF SUEZ has a 10% stake).*
	Kochi (under construction)	No	10%	

We are positioned in the LNG markets in the United States, including through our recent agreement with Cameron LNG, a unit of Sempra Energy, regarding the natural gas liquefaction project of Cameron LNG in the United States site of its existing import terminal located in Hackberry, Louisiana. Through this commercial development agreement, we will negotiate with Sempra a 20 year liquefaction service contract for 4 million tons per annum (MTPA). The LNG plant will have 3 liquefaction trains with a production and export capacity of 12 MTPA and will be operated by Cameron LNG. This new LNG plant is expected to start full operations in late 2016.

GDF SUEZ LNG is also positioned on the Asian LNG markets, which are burgeoning. Based on its large and diversified LNG supply portfolio, we signed a number of medium-term sales contracts with gas companies in 2010 and 2011:

- a contract for the sale of 0.9 Mt of LNG to the Russian company Gazprom, starting at the beginning of 2011, covering a period of 2½ years;
- a contract for the sale of 2.5 Mt of LNG to the South Korean company Kogas, starting in the 4th quarter of 2010 and ending in 2013;
- a contract for the sale of 2.6 Mt of LNG to Chinese company CNOOC, starting in 2013, for a four-year period.
- a contract for the sale of 2.5 Mt of LNG to Malaysian company Petronas, starting in 2012, for a 3½-year period.
- a contract for the sale of 0.6 Mt of LNG to Indian company Petronet during 2012.

Maritime transport

In order to meet its maritime transport needs, we use a fleet of LNG vessels that it adapts in size to meet its long-term commitments and its one-off opportunities. The chartering terms vary from a few days to as much as 20 years or more, depending on the permitted extension periods. At the end of 2011, our fleet included 18 LNG carriers:

- 3 ships owned by us: *Matthew* (126,540 m^3), *Provalys* (154,500 m^3), *GDF SUEZ Global Energy* (formerly *Gaz de France Energy*, 74,130 m^3);
- 1 ship of which we are a co-owner: Gaselys (154,500 m3 (60% owned by the NYK Group and 40% owned by us));
- and 14 other ships chartered from other shipping companies.

In the area of maritime transport, we also have the following stakes:

- an 80% stake (with Japanese ship-owner NYK owning the remaining 20%) in GAZOCEAN, a ship management company which runs the Tellier,[26] Gaselys, Provalys, GDF SUEZ Global Energy and Grace Cosmos (owned by the NYK Group) LNG vessels;
- a 40% stake in Gaztransport & Technigaz (GTT), which designs on-board LNG cargo containment systems and develops “membrane” LNG tank isolation techniques. In 2010, these membranes were fitted in 68% of carriers in service world-wide (source: GIIGNL).

[26] This ship left the GDF SUEZ fleet on June 27, 2011 after 37 years of service.

GDF SUEZ Key Account Sales

Principal key indicators

- GDF SUEZ Key Account Sales sold 147 TWh of natural gas to its end-customers in 2011 (143.6 TWh excluding intra-group).
- Some 250 customers in over 1,000 sites across continental Europe make up the Key Accounts gas segment.
- Sales were made in Germany, Austria, Belgium, Spain, France, Italy, Luxembourg, the Netherlands and the Czech Republic. Sales in France, Belgium and Luxembourg accounted for 53.3% of volumes sold, compared with 57% in 2010 and 60% in 2009.

Change in Gas Volumes Sold by Country (Including Intra-Group Sales)

TWh	2011	2010	2009
France	61	72.8	94.0
Belgium and Luxembourg	17.3	23.6	25.7
Netherlands	20.8	20.7	27.7
Italy	17.4	25.4	24.9
Spain	5.8	3.9	4.1
Germany	18.8	20.4	22.3
Austria	4.2	1.9	1.3
Czech Republic	1.6	2	—
Total	**146.9**	**170.7**	**200.0**

The volumes sold in 2011 are clearly down compared with those for 2009. This fall in sales was mainly observed on our long-established markets (France and Belgium). In these two countries, delivered volumes fell from 96.4 TWh in 2010 to 78.3 TWh, or by around 18.8%. Sales in other European countries decreased by 5.7 TWh (mainly in Italy). This fall in volumes between 2010 and 2011 is mainly due to an increased competition, particularly on our most long-established markets, where market prices dropped markedly due to a supply/demand imbalance.

It should be noted that, despite the economic crisis and as in 2010, GDF SUEZ Key Accounts Sales did not experience any major payment default by its customers in 2011.

Role and strategy

GDF SUEZ Key Accounts Sales is responsible for marketing energy offers (gas and electricity) and related energy services to our European Key Accounts.

It performs a competitive watch on its markets, defines the sales positioning by customer segment and prepares offers that fit its customers' needs while anticipating market developments.

It puts together complex, customized offers, in particular on energy optimization, thus contributing to its customers' economic performance.

It coordinates sales action for pan-European Key Accounts in close co-operation with sales teams from the Energy Europe & International and Energy France business lines.

Description of activity

Our customers belonging to the Key Accounts category are segmented as follows:

- Priority targets: Pan-European accounts (these are major European groups, mainly industrial groups, present in at least two of the countries served). These customers behave in a particular way: they have a European energy purchasing structure and/or they need complex "tailored" packages.

- Additional targets: distributors and electricity producers.

Overall, there are 600 key accounts (250 customers and 350 prospects).

We offer these customers tailored packages that include the sale of gas and electricity, as well as:

- Risk management and price engineering packages, primarily based on subsidiary GDF SUEZ Trading's expertise. GDF SUEZ Key Accounts Sales is therefore able to offer its customers fixed or indexed prices for a given period, as well as services that allow them to manage their energy purchase prices dynamically throughout the year;
- Packages that combine energy and performance efficiency, supported by the Energy Services business line, such as:
  - the management or the optimization of heating or energy consumption installations to accompany gas sales,
  - the combined sale of gas and electricity or even steam, in enhancing the efficiency of decentralized power generation assets that customers may have or wish to obtain. In the latter case, the service provided includes, if needed and often as a partnership, the construction, financing and operation of electricity production units (cogeneration, trigeneration or combined-cycle).
- Since the beginning of 2009, these large customers have had a dedicated brand, GDF SUEZ Global Energy, which provides them with natural gas and electricity offers and related energy services on a European scale. They therefore benefit from the reliability and diversity of supply that a major European gas importer can provide as well as access to electricity production that is balanced and competitive. This brand is carried by the Global Gas & LNG business line and by the Energy Europe & International and Energy France business lines.
- Income from these sales will continue to be posted for each business line, and only natural gas sales will be included in the income statement of GDF SUEZ Key Accounts Sales in the Global Gas & LNG business line; income from electricity sales will be included in the other business lines' financial statements (Energy France and Energy Europe & International business lines).

Competitive position

- Through our offers to industrial and commercial customers, we have kept a substantial market share in our traditional markets and have established ourselves as a new major player in continental Europe's largest markets. We are thus a leading player on the European markets.
- The penetration rate in various markets varies depending on a number of factors, including the regulatory framework as well as the actual ability to access the transmission infrastructures necessary to ship the gas.
- GDF SUEZ Key Account Sales will continue, in a difficult competitive context, to supply a significant share of the French market. However, sales outside France will now represent a major growth driver for sales to major industrial and commercial customers.

Market Share*

	2011	2010
Germany	2.1%	2.5%
Belgium	20.4%	25.6%
Spain	3.0%	2.2%
France	31.2%	38.0%
Italy	9.6%	12.7%
Netherlands	12.8%	11.9%
Austria	11.9%	5.3%
Czech Republic	5.6%	6.9%

* Market share: the volume of natural gas sales in the GDF SUEZ Group's Key Accounts Sales segment as a proportion of total estimated natural gas volumes sold in this segment in the given country (last estimate made by the Key Accounts Sales Business Unit in 2011).

Source: GDF SUEZ.

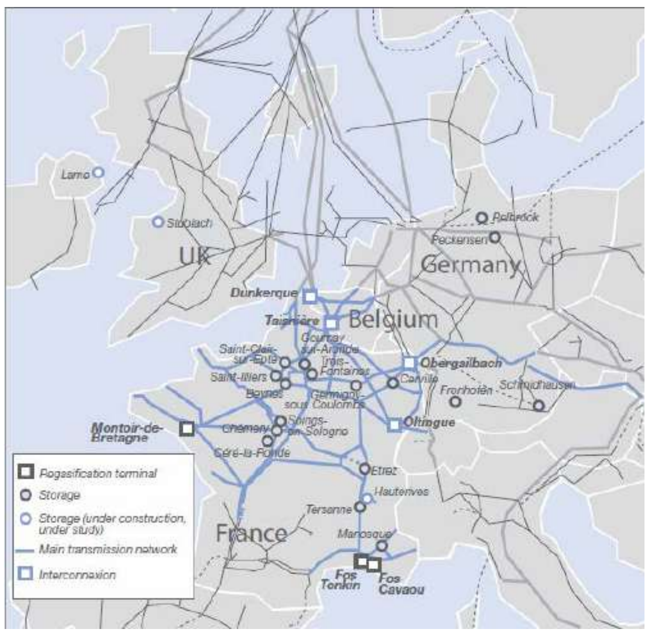
Infrastructures

Overview

The Infrastructures business line combines in a coherent body our gas infrastructures in France, through four specialized subsidiaries in transmission, storage, LNG terminals and distribution, as well as storage subsidiaries in Germany and the United Kingdom. The business line also manages our stakes in transmission companies in Germany (Megal) and in Austria (BOG).

The combined positions of these subsidiaries and stakes make us the leading European player in the gas infrastructures sector.

Its business model guarantees it steady, recurring revenues and cash flow that contribute effectively to our financial stability.



The Infrastructures business line aims at (i) developing infrastructures to support the development of European natural gas markets while encouraging supply flexibility through multiple sourcing, thereby making natural gas more competitive and securing supply; (ii) developing its activities throughout the world to support the success of natural gas; (iii) facilitating the sharing of best practices, best information systems and best technologies in each activity and between activities of the business line; and (iv) achieving excellence in safety and reliability.

The business line estimates that it will invest an annual €1.5-€2 billion over the next six years to achieve its ambitions.

Organization

The organization of activities within the Infrastructures business line is based on four independent subsidiaries that are all public limited companies (*sociétés anonymes*):

- Storengy, wholly owned by GDF SUEZ, manages storage sites in France and supervises GDF SUEZ storage subsidiaries in Europe;

- Elengy, wholly owned by GDF SUEZ, builds, maintains and develops the Montoir-de-Bretagne and Fos Tonkin LNG terminals and markets the associated capacities. Elengy also holds our equity interests in Société du Terminal Methanier de Fos Cavaou (STMFC) and operates the Fos Cavaou terminal;

- GrDF, wholly owned by GDF SUEZ, builds, maintains and develops the distribution network in France;

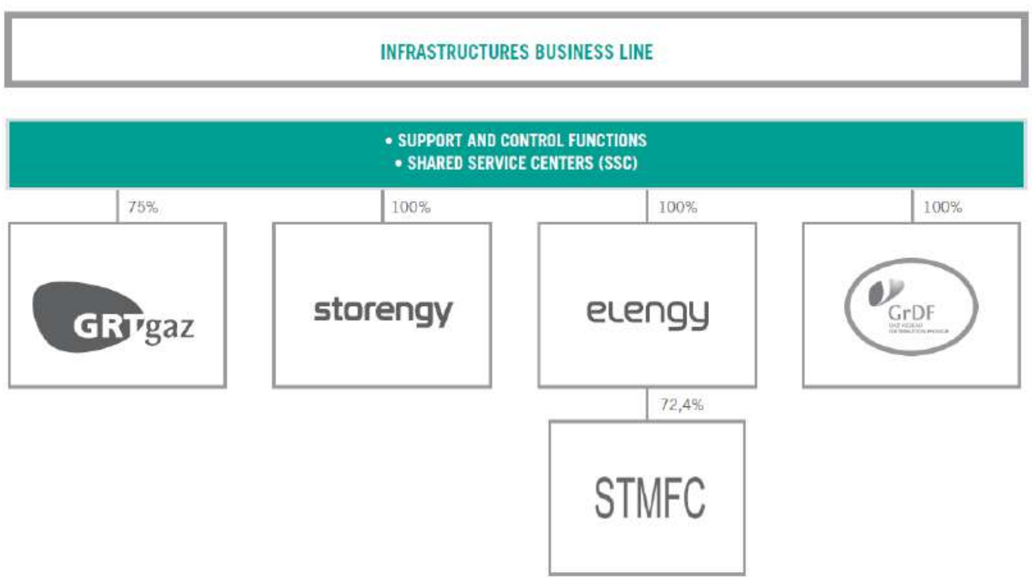
- GRTgaz manages the transmission network (pipelines and in-line compression stations) in France, and supervises our other subsidiaries and stakes in transmission infrastructures in Europe: GRTgaz Deutschland and Megal in Germany, and BOG in Austria. GRTgaz, formerly wholly owned by GDF SUEZ, was opened up to investment on July 12, 2011 through a long-term partnership agreement with the Société d'Infrastructures Gazières (SIG), a public consortium bringing together CNP Assurances, CDC Infrastructure and Caisse des Dépôts. The public consortium acquired 25% of the capital in GRTgaz.

Storengy, Elengy and GrDF have their own resources to manage all their activities.

Besides the support and control functions (Finance, Strategy, Audit, etc.), the support services (work contract management, accounting, gas sector training, IT and purchasing) are provided by five shared service centers that serve the Infrastructures business line exclusively. Each center has an Executive Board that brings together its customers (GrDF, Storengy, Elengy, and specifically regarding Energy Training services, GRTgaz). These centers are grouped into a single operating unit dedicated to the business line.

Pursuant to the Energy Code (see section 1.3.4.5 below), GRTgaz has all the resources necessary to accomplish its missions.

Services provided between Infrastructures subsidiaries or with the parent company are covered by contracts. As a management entity, the business line manages our interests in (i) natural gas transmission subsidiaries in Germany and in Austria; (ii) storage subsidiaries in Germany, the United Kingdom and Canada; and (iii) local natural gas distribution companies in France.



Storage is one solution among many for allowing customers to cover fluctuations in consumption and the market's load matching requirements. Storengy's storage options compete with various other solutions, such as implementing supply flexibility, or managing demand (via a portfolio of customers whose service can be interrupted, for instance). It should be noted that various changes underway throughout Europe, such as the development of gas hubs and the increase in gas pipeline transmission network capacities, will increase competition in the load matching market.

In 2011, Storengy SA marketed its capacity to 24 customers in France, selling a total volume of 94.1 TWh, or over 80% of offered capacity.

Storengy aims to strengthen its position among world leaders in underground storage. It intends to meet the new requirements for flexibility that are being imposed on the gas and electricity markets. In order to do so, its strategy is focused on (i) consolidating its position as European leader; (ii) asserting its presence in other market regions having varying degrees of maturity: North America, Asia, etc.; and (iii) using its know-how to obtain a foothold in the compressed air storage sector for power generation.

Key Figures

The Infrastructures business line manages the following infrastructures, through independent subsidiaries:

- Europe's largest natural gas transmission network (32,027 km in France and 1,436 km[27] in Germany and in Austria);
- Europe's largest natural gas distribution network (193,300 km in France);
- Europe's largest storage player in terms of capacity sales (12.5 billion m^3);
- the second-largest LNG receiving and regasification capacity in Europe.

The Infrastructures business line had a workforce of 17,803 as of December 31, 2011.

Business Units

Underground natural gas storage

We are one of the leaders in underground storage in Europe in terms of owned, operated and marketed storage capacity.

France. As of December 31, 2011, Storengy was operating:

- 13 underground storage facilities[28] (including 12 wholly owned). Nine of these storage facilities are in aquifers (total useful storage volume 9 billion m^3), one is in a depleted field (total useful storage volume of 50 million m^3), and three are in salt caverns (total useful storage volume of 1 billion m^3);
- 50 compressors with a total power of 229.5 MW, needed to withdraw and inject natural gas;
- facilities for processing gas and for interconnection with the transmission networks.

Germany. Storengy Deutschland GmbH and Storengy Deutschland Infrastructures GmbH, wholly owned by us, now own and operate seven storage facilities with useful storage volume of almost 2 billion m^3 (three salt sites: Harsefeld, Lesum and Peckensen; and four depleted sites: Fronhofen, Reitbrook, Schmidhausen and Uelsen). It also has a 19.7% stake in the Breitbrunn site.

The fourth-largest German storage player with 10% market share, Storengy acquired Shell and ExxonMobil storage sites in Germany in 2011. Of these storage volumes, 80% have already been sold up to 2020.

At the Peckensen site, work is continuing to bring two additional salt caverns, originally sold in 2008, into commercial service by 2013 and 2014.

United Kingdom. Storengy UK Ltd., wholly owned by us, was created in 2007 to build and market the Stublach salt cavern storage project in Cheshire. Initially, the total planned capacity was 400 million m^3 of useful volume,

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[27] Cumulative lengths of the transmission networks in Germany (Megal, 1,115 km) and in Austria (BOG, 321 km).

[28] Excluding sites in development in France.

distributed over 28 caverns. The project was rationalized at 20 caverns, which will make it one of the largest storage facilities in the United Kingdom. The first volumes should be marketed in 2013. The UK gas and electricity regulator, Ofgem (Office of the Gas and Electricity Market), granted it a third-party access exemption for phase 1 of the project.

Ireland. The storage facility project in the salt caverns at Larne, which was the subject of a partnership with Bord Gais, continued in 2011. Drilling will be done in 2012 to continue the technical assessment of the site identified by the seismic survey in 2010.

Canada. Storengy is also active in Quebec through an indirect 40% stake in Intragaz. As of December 31, 2010, Intragaz was operating two underground storage facilities developed in former natural gas fields:

- Pointe du Lac, with a capacity of 20 million m^3;
- Saint Flavien, with a capacity of 100 million m^3.

LNG terminal activities

LNG terminals are port facilities that allow LNG to be received and liquid natural gas to be regasified (changed from liquid state to gas).

Elengy is the second-largest European LNG terminal operator (source: GIIGNL). It was also one of the first to receive LNG, starting in 1965. It develops and operates its facilities and markets the associated capacity.

The two LNG terminals at Fos Tonkin and Montoir-de-Bretagne had a total regasification capacity[29] of 15.5 billion m^3 per year on December 31, 2011. After having directed its construction, Elengy operates the LNG terminal at Fos Cavaou, with a stake of 72.4%, representing an annual regasification capacity of 8.25 billion m^3.

Fos Tonkin Terminal

Brought into service in 1972, Fos Tonkin is located at Fos-sur-Mer on the Mediterranean coast and receives LNG primarily from Algeria and Egypt. Its regasification capacity was increased temporarily to 7 billion m^3 at the end of 2005, pending entry into commercial service of Fos Cavaou, and it reverted at the end of 2010 to its initial capacity of 5.5 billion m^3 per year. It has a wharf that can accommodate ships transporting up to around 75,000 m^3 of LNG and three tanks with a total capacity of 150,000 m^3.

The Montoir-de-Bretagne terminal

Montoir-de-Bretagne, which was brought into service in 1980, is located on the Atlantic coast and receives LNG from various sources, including Algeria, Nigeria, Egypt, Trinidad and Tobago, Qatar, Norway, etc. It has a regasification capacity of 10 billion m^3 a year, two wharves that can accommodate ships transporting up to around 260,000 m^3 of LNG and three tanks with a total capacity of 360,000 m^3. Following an open season tender process to extend terminal capacity, it was decided to launch a project to renovate the terminal's capacity, with a view to operating it at its current capacity until 2035. In connection with these works, the terminal's downstream wharf was adapted to allow docking of Qmax-size tankers (260,000 m^3), the largest LNG tankers currently in existence, thus eliminating the Qflex size restriction (220,000m^3) that applied previously.

After the European Commission accepted the commitments proposed by GDF SUEZ in December 2009 to help open up the French market, Elengy made available 2 billion m^3 of capacity a year at its Montoir-de-Bretagne terminal, in the form of two lots of 1 billion m^3 per year, starting in October 2010 and October 2011. The lot starting in October 2011 has found a lessee for a term of 10 years. Given the results of the call for marketing, the capacity corresponding to the other lot was returned to the conventional marketing process. On December 31, 2010, these capacities were reserved in full by various players until the end of 2014.

[29] Farming out: in mining law, the name given to an agreement by which the holder of the operating rights (Government or concessionaire) leases the mine to a third party in return for a royalty.

Fos Cavaou Terminal

Fos Cavaou, located at Fos-sur-Mer, is our third LNG terminal in France built to meet growth in the LNG market. From its inception on October 26, 2009 until the end of 2011, the Fos Cavaou LNG terminal unloaded some 90 tankers (8 billion m^3). It has operated at full capacity since November 1, 2010. The terminal has a regasification capacity of 8.25 billion m^3 per year, a wharf that can accommodate Qmax-size tankers, and three tanks with a capacity per unit of 110,000 m^3, i.e., a total capacity of 330,000 m^3. This terminal is owned by a dedicated subsidiary, Société du Terminal Methanier de Fos Cavaou (STMFC), in which Elengy holds a 72.4% stake and Total Gaz Electricité Holding France SAS holds a 27.6% stake. GDF SUEZ has subscribed regasification capacity of 5.175 billion m^3 a year, and Total Gaz Electricité Holding France SAS has subscribed to 2.25 billion m^3 a year. The remainder (10% of total capacity, or 0.825 billion m^3 per year) is reserved for shorter-term operations.

Under commitments made to the European Commission, GDF SUEZ has placed for sale on the secondary market 2 billion m^3 per year over a term of 20 years; 1 billion m^3 per year has found a buyer for a five-year period, from January 1, 2011.

The LNG terminal activities strategy

Elengy's strategic plan covers the 2010-2017 period and is centered on the following key points:

- to develop new operational capacities, in particular by offering new capacities at Fos Tonkin and at Montoir-de-Bretagne;
- to rationalize the use of existing facilities by striving to maximize the marketable capacities of Montoir-de-Bretagne, Fos Tonkin and Fos Cavaou, always under the best possible safety conditions and in compliance with sustainable development imperatives;
- to mobilize and develop the skills in the organization needed to achieve the above ambitions.

This strategic plan has led already to the implementation of large projects, and Elengy will continue to promote plans to extend its terminals, both at Fos-sur-Mer and at Montoir-de-Bretagne.

Distribution activities

GrDF is our wholly owned subsidiary charged with developing, operating and maintaining natural gas networks and investment policy, managing concession contracts, as well as providing third parties with transparent and non-discriminatory access to distribution networks.

In the interests of structural continuity and while respecting the separation between EDF and GDF activities, their respective subsidiaries, GrDF and ERDF, have set up a joint service division in accordance with the provisions of Article L.111-71 of the Energy Code.

The strategy formulated by GrDF, drawn from its "Success Through Involvement" business plan, is based on the following four key focuses: (i) making the safety of the natural gas network a key imperative; (ii) continuing the commitment to increasing the number of customers connected to the network; (iii) facilitating the start-up of the biogas segment by promoting biomethane injection into its networks; and (iv) leveraging its expertise as a gas operator internationally.

GrDF distribution network in France

As of December 31, 2011, the French distribution network operated by GrDF was the longest in Europe[30] at 193,300 km. Virtually all French municipalities with a population of more than 10,000 within the service area are connected to this network. GrDF's networks include some 11 million delivery points[31] in 9,461 municipalities

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[30] Source: internal benchmark from public data for 2010.

[31] A delivery point is a contractual point attached to a routing agreement with a supplier of natural gas from GrDF and is therefore the subject of an actual delivery of natural gas to a customer.

serviced by natural gas, representing some 77% of the French population.[32] During the fiscal year ended December 31, 2011, some 277.5 TWh of natural gas was distributed[33], compared to 348.1 TWh in 2010.

The main activity of the distribution business in France is to transmit the gas sold by the shippers (suppliers or agents) to end-customers. The number of customers connected to the GrDF network who switched to an alternative natural gas supplier rose from 900,209 at the end of 2010 to 1,119,000 at the end of 2011.

Transmission activities

GRT has the longest high-pressure natural gas network in Europe[34] to route gas for all its users.

GDF SUEZ also has stakes in transmission networks in Germany (Megal, 1,115 km) and Austria (BOG, 321 km), with a cumulative length[35] of 1,436 km and a contributive length[36] of 600 km.

GRTgaz transmission network in France

GRTgaz develops, operates and maintains the transmission network, regulates natural gas flows through the network, provides network access services to the gas supplier network and markets such services.

Effective on June 27, 2011, the public consortium composed of CNP Assurances, CDC Infrastructure and Caisse des Dépôts acquired 25% of the share capital and voting rights of GRTgaz for a consideration of €1,110 million.

As of December 31, 2011, the GRTgaz network in France consisted of 32,027 km of pipelines, of which 7,097 km were part of a primary high-pressure network and over 24,930 km were regional networks covering a broad expanse of the country. During the fiscal year ended December 31, 2011, GRTgaz sent 56.0 billion m^3 of gas through the French network (640 TWh) (compared to 60.2 billion m^3 in 2010 (688 TWh)).

GRTgaz’s main network transmits natural gas from the network entry points (LNG terminals, interconnection points with the international gas pipeline networks) to the regional network. The regional network transports natural gas to about 4,500 delivery stations connected to industrial customers and to local distribution networks. The average pipeline age[37] is 31 years.

GRTgaz also operates 25 compression stations, which are used to circulate the gas in the transmission lines and maintain the required pressure for optimum transmission conditions. On December 31, 2011, these stations had 88 gas compressors, including 22 electro-compressors, for total compression power of 562 MW. GRTgaz also uses compression facilities located at five storage sites operated by the Storengy subsidiary.

Transmission Europe

Germany. Megal GmbH & Co.KG (“Megal”), owned by us (44%), Open Grid Europe (formerly E.ON Gastransport) (51%) and the Austrian energy company OMV (5%), is a German registered company based in Essen. Its pipeline network was 1,115 km long as of December 31, 2011, linking the Czech Republic and Austrian borders

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[32] All the data for 2011 mentioned in this paragraph relate to the natural gas distribution activity alone. Consequently, it excludes data for propane services, because this activity is not part of the core business of the GrDF distribution subsidiary.

[33] Quantities of natural gas distributed: gross withdrawals, in TWh, at Distribution Transmission Interface Points (DTIP), after deduction of various losses and differences.

[34] Source: internal benchmark from public data for 2010.

[35] Cumulative length of the network: total length in kilometers of the pipes for the network in question.

[36] Contributive length of the network: length in kilometers of the pipes for the network in question multiplied by the percentage stake held by us.

[37] Average pipeline age: weighted average calculated on the basis of the year the pipelines entered industrial service and their length in kilometers.

to France. Megal has granted rights to use its assets to us and to Open Grid Europe, which each manage separately their share of the network. The company is consolidated on a proportional basis.

GRTgaz Deutschland GmbH, wholly owned by us, markets about 58% of Megal network's capacity and, as the Transmission System Operator (TSO), provides the transmission service purchased by shippers. Since October 2009, GRTgaz Deutschland has been part of the largest German market area, NetConnect Germany, in which it has a 15% stake. In order to fulfill the legal obligation of auctioning transmission capacity from August 1, 2011, GRTgaz Deutschland developed the Trac-X shared platform with 11 other German TSOs. It now has an 8.3% share in the platform.

On January 31, 2011, a transactional agreement settled the dispute with the regulator, the Bundesnetzagentur (BNetzA), over depreciation periods for former assets. In October 2011, following two orders from the German Court of Cassation, the BNetzA offered some carriers, including GRTgaz Deutschland, a new transactional agreement resulting in an increase in the maximum revenue authorized for 2010, 2011 and 2012.

Austria. BOG is 34% -owned by us, 51% by OMV Gas and 15% by E.ON-Ruhrgas, and holds the exclusive market rights for some 321 km of partially twinned pipeline capacity held by OMV Gas running from Baumgarten, on the Slovakian border, to Oberkappel, on the German border, where it is interconnected with the Megal network. BOG is currently implementing a plan to expand its transit capacity by continuing the partial twinning of its works. This company is consolidated using the equity method.

Transmission business strategy in Europe

Development projects undertaken by GRTgaz represent investments of some €8 billion between 2011 and 2020. They consist of improving the interconnection capacities with Belgium and Spain, connecting new customers, developing the network to meet its public service obligations and improving existing facilities in order to meet market demand by enhancing the fluidity of the transmission network and by improving security of supply for Europe in general and France in particular.

In the context of opening up to investment, GRTgaz has expanded its activities in Europe by purchasing the equity interests held by GDF SUEZ in transmission operators in Germany (GRTgaz Deutschland and Megal) and in Austria (BOG).

Legislative and Regulatory Framework

The implementation of European Directives has led us to carry out our business in an environment where electricity and gas markets have been opened to competition, including:

- in 2003, the introduction in France of regulated third-party access to transmission, distribution and LNG regasification networks. Access to these infrastructures is based on administrative rates set by applying a rate of return to an asset base recognized by the ERC (called the "regulated asset base", or "RAB"), taking account of annual depreciation and amortization and operating expenses.

- in 2004, the introduction in France of negotiated third-party access to storage facilities. Access to storage is carried out based on negotiated rates established by the operator, which are published and applied to all customers under identical conditions.

The French Energy Code, published on May 10, 2011 (Ordinance No. 2011-504 of May 9, 2011), includes all existing laws relating to natural gas and transposes the 3rd Directive 2009/73/EC concerning common rules for the internal natural gas market, specifically setting out rules of independence for gas transmission operators.

Pursuant to these provisions, since 2003 the ERC has been responsible for tariff regulation for natural gas transmission, distribution and regasification through a stable, incentive-based regulatory framework based on:

- multi-year regulation periods;

- varying rates of return for assets depending specifically on the nature of the infrastructure operated;

- the "RPI— X%"[38] method of price indexation, i.e., inflation reduced by a productivity factor;
- incentives to invest in natural gas transmission and LNG terminals, subject to certain conditions; and
- adjustments for uncontrollable factors (weather, cost of fuel, etc.).

Third-party access to infrastructures in France

Managing operators of transmission and distribution networks and LNG and storage facilities publish the terms and conditions for use of their works and facilities on their websites.

Infrastructure operators must not discriminate between users or user categories for the works and facilities they operate.

The refusal by an operator to sign a contract for access to its gas infrastructure must be based on reasonable grounds and notified to the applicant as well as to the ERC.

Any gas infrastructure operator and any supplier using said facility must provide other operators with the information necessary to ensure satisfactory operation of the interconnected network and storage sites.

Additionally, to facilitate conditions of access by third parties to infrastructures, and to increase competition on the natural gas market, GDF SUEZ, GRTgaz and Elengy have made commitments to restore market capacities, made compulsory by the European Commission in the Access France procedure. This procedure is described in Note 26 to our consolidated financial statements for FY2011.

Non-discrimination, confidentiality of information and Codes of Conduct

All gas infrastructure operators must keep confidential all information, disclosure of which could promote unfair competition. Any operator violating these obligations will be fined under criminal law. The operators involved must inform the ERC of the measures they have taken in this respect.

Pursuant to the Energy Code, activities of distribution and transmission network operators must be:

- performed referring to a "Code of Conduct" to ensure they are objective, transparent and non-discriminatory, and respect the confidentiality of commercially sensitive information ("CSI");
- controlled by an independent compliance officer, responsible for ensuring that the commitments undertaken pursuant to their Codes of Conduct are adhered to.

Every year, network operators submit a report to the ERC showing that these provisions have been complied with, which will henceforth be prepared by the compliance officer and submitted directly thereby to the ERC. The ERC publishes an annual report on compliance with the Code of Conduct and the independence of the transmission and distribution network operators.

Furthermore, compliance officers for transmission network operators must ensure the proper execution of the ten-year transmission network development plan.

Transmission, distribution, LNG terminals and storage activities managed separately then incorporated as subsidiaries

Pursuant to the provisions of Directive 2003/55, if the operator of a natural gas transmission or distribution network is part of a vertically integrated company such as us, it must be made legally independent of the organization and decision-making processes of the entities managing other activities, particularly production and supply activities. The Directive also contains various provisions governing the directors of the transmission or distribution operator, aimed at ensuring their independence. Directive 2009/73, which came into effect on September 3, 2009, repealing Directive 2003/55 on March 3, 2011, strengthens the provisions relating to transmission network

[38] RPI: Retail Price Index.

operators by allowing member states to choose between three options: the OU (Ownership Unbundling) system, the ISO (Independent System Operator) system, and the ITO (Independent Transmission Operator) system. France opted for the ITO system. The directives recognize a right of economic supervision and management of the integrated company. These provisions are outlined in the Energy Code. The transmission business was incorporated as a subsidiary on January 1, 2005 and the distribution business on December 31, 2007. In addition, the LNG terminal and storage businesses were incorporated as subsidiaries on December 31, 2008.

Regulating and controlling the application of specific rules for the natural gas segment

In France, regulation is under the remit of several authorities. The Energy Regulation Commission has been the competent regulator for the gas segment since 2003. The Ministers for Energy and Economy also has certain control and punitive powers.

The Energy Regulation Commission (ERC)

The ERC is an independent administrative authority created in 2000 to regulate the electricity sector in France, and the Law of January 3, 2003 broadened its terms of reference to include the gas sector. It includes a Dispute Settlement and Sanctions Committee.

The ERC is empowered primarily to regulate the network by controlling access thereto and regulating the natural gas market. Specifically, it deliberates on rate adjustments made by regasification infrastructure and network operators (see above). The Energy Code gives it additional regulatory powers to set out rules governing:

- missions of the transmission, distribution, storage and LNG terminal operators;
- terms and conditions for connecting to and using gas networks and LNG facilities, including the methodology used to establish the usage tariffs for these infrastructures;
- network operator contracts to purchase gas for their own use; and
- the separate accounting perimeters for each activity and the recognition rules applied.

It approves annual investment programs from gas transmission network operators and reviews their ten-year network development plans.

Acting on the advice it receives from the Competition Commission, the ERC approves the separate accounting principles proposed by the integrated companies.

It is empowered to oversee transactions on organized markets in natural gas as well as cross-border trading. The ERC is also charged with overseeing transactions between suppliers, traders and producers.

The ERC can temporarily prohibit access to infrastructures or impose monetary penalties if decisions it is empowered to make are not complied with.

The Ministers for Economic Affairs and Energy

The Energy Ministry determines and publishes an indicative multi-year plan describing, on the one hand, the foreseeable changes in national demand for the supply of natural gas and its geographic distribution and, on the other, the investments scheduled to complete the infrastructure of the natural gas supply network. This plan forecasts the changes in the contribution of long-term contracts to French market supply over a ten-year period.

The Ministers for Economic Affairs and Energy have investigative powers, in particular for gathering any information about the activity of the gas companies needed for application of the Energy Code. The Ministry for Energy can impose a financial penalty or announce the withdrawal or suspension, for a period not exceeding one year, of the authorization to supply or transmit natural gas or of the concession for underground storage of natural gas, against the perpetrators of offenses against the provisions of the Code or in the event of non-compliance with the concession specification.

Other regulations having an impact on business in France: public service obligations

The Energy Code imposes public service obligations on operators of natural gas transmission and distribution networks, operators of LNG facilities, suppliers of natural gas, and holders of natural gas underground storage permits.

These obligations relate to the safety of people and of the facilities, the continuity of gas supply, the security of supply, the quality and the price of the products and services supplied, environmental protection, energy efficiency, the balanced development of the territory, the emergency supply of gas to non-residential customers responsible for missions in the public interest, the continued supply to vulnerable persons, and the supply of gas at the special solidarity rate.

Legislative and regulatory environment specific to storage activities in France

Underground storage facilities are subject to mining law and can only be operated under a concession that determines the scope and the geological formations to which it applies. Concessions are granted by a Council of State decree after a public inquiry and a competitive tender process. The holders of underground gas storage licenses must operate them in a manner compatible with the safe and effective functioning of the interconnected natural gas networks.

We hold mining rights that we farm out[39] to our subsidiary, Storengy, which operates them and thus holds the corresponding authorizations.

Access to storage facilities in France: principles and prices. The Energy Code and decree No. 2006-1034 of August 21, 2006 set the access priorities for storage facilities. This decree sets out the conditions for granting and assigning storage capacity access rights and their distribution, and requires the authorized supplier or agent to maintain sufficient stores in order that, on October 31 of every year, they have enough natural gas to supply their customers from November 1 to March 31. An annual decree sets the corresponding storage rights.

"Negotiated" storage access prices are set in a non-discriminatory process. Third parties wishing to use underground storage capacity to cover their end customer supply requirements have access to Storengy's seven storage groups. These groups are set up to take into account the characteristics of each storage facility based on the nature of the gas stored (H gas or L gas), its performance (withdrawal speed) and its geographic location.

In addition, Storengy regularly makes available to markets capacities beyond those strictly necessary to cover suppliers' storage rights. In 2011, these capacities were sold at auction and in over-the-counter sales at a fixed price, according to the "first come, first served" principle. These provided the opportunity to market new products, such as multi-year capacities (two to seven years) or unbundled capacities (the ability to acquire volume, injection capacity or withdrawal capacity separately).

Pricing varies according to the technical capacities of the tanks, the basic storage service and the type of additional operating services selected. All prices for capacities intended to supply end customers, as well as extra available capacity, are published on the Storengy website.

Legal and regulatory environment specific to regasification activities in France

LNG regasification does not need to be authorized. However, an LNG terminal is a facility subject to classification for environmental protection purposes (Seveso facilities) and, therefore, its operation is subject to a specific authorization by the prefecture. These authorizations were granted to Elengy, by prefectoral decree, on December 19, 2008 for the Montoir-de-Bretagne site and on December 22, 2008 for Fos-sur-Mer.

The Administrative Court annulled the operating authorization for the Fos Cavaou terminal in June 2009. Although Elengy has launched an appeal against this ruling, the appeal process does not suspend the annulment in the interim. Initially, the administration granted the terminal a provisional authorization to operate at 20% of its

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[39] Farming out: in mining law, the name given to an agreement by which the holder of the operating rights (Government or concessionaire) leases the mine to a third party in return for a royalty.

capacity. It then extended this measure to 100% of the capacity by prefectoral decree on August 25, 2010. The new operating authorization procedure is being deployed as planned: the public inquiry was held in June-July 2011 and did not encounter any substantial difficulties. The new operating authorization for the Fos Cavaou methane terminal was signed on February 14, 2012.

Access to LNG terminals: principles and tariffs. New access tariffs to LNG terminals applicable in 2011 were adopted by the decree of October 20, 2009, formally approving the ERC tariff proposal of July 16, 2009. These tariffs, varying between terminals, were set for a three-year period, for Montoir-de-Bretagne and Fos Tonkin from January 1, 2010, and for Fos Cavaou from its date of entry into commercial service.

The rate of return varies according to the age of the investment. The applicable rates of return are 9.25% (real pre-tax)[40,41] for assets put into service before January 1, 2004, 10.5% (real, pre-tax) for assets put into service after January 1, 2004 and decided prior to December 31, 2008, and 9.25% (real, pre-tax) for other assets. A 2% premium is applied to future investments to allow for capacity development and a rate of return is established for current investments.

The regulated assets base consists primarily of unloading equipment and support facilities, regasification facilities, civil engineering work and buildings, and tanks. To determine annual fixed costs, the ERC applies the straight-line depreciation method for the various components of the LNG terminals. Most of the assets are depreciated economically over 40 years. The regulated asset base stood at €1,255 million at January 1, 2011.

The tariff formula with effect from January 1, 2010 uses five variables: the number of offloads, the quantities offloaded, the regasification capacity usage, and the “gas in-kind”, along with a seasonal adjustment (called the regularity variable), which is an incentive for distributing deliveries uniformly from one season to the next.

Legal and regulatory framework for gas distribution in France

Distribution monopoly. Pursuant to the Energy Code, GrDF currently holds the gas distribution monopoly. However, there are exceptions:

- The service area for local distribution companies as described in article L. 111-54 of the Energy Code: 22 local distribution businesses control 5% of the national gas network distribution market. GDF SUEZ holds stakes in the two largest local distribution companies: Réseau GDS (formerly Gaz de Strasbourg), with 24.9% of the capital and Régaz (formerly Gaz de Bordeaux) with 24%.
- Apart from the exclusive service areas of GrDF and the local distribution companies, under Article L 432-6 of the Energy Code, municipalities not supplied with natural gas may source their public distribution from any authorized operator of their choice.

The concession system. Natural gas distribution is considered a communal public service under French law (see Article L. 2224-31 of the General Local Authorities Code). Each community grants a concession to a distributor to operate this public service on its territory. The concessions that thus link the municipalities and GrDF are entered into or are renewed, as the case may be, based on standard specifications established jointly by the French national federation of concession-granting and state-controlled municipalities (FNCCR) and GrDF.

Distribution structures within the scope of the concession belong to the municipalities as soon as they are constructed, even though they are built and financed by the distributor, who has an exclusive right to use them. Municipal authorities, as concession-granting bodies, can also exercise control to ensure the proper execution of the obligations under the distribution concession specifications.

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[40] A terminal’s regasification capacity is the quantity of natural gas, expressed as a volume of gas, that the terminal is capable of receiving over a given period as LNG and routing to the adjacent transmission network as a gas.

[41] This rate is applied to revalued assets. The revaluation index used is the retail price index, excluding tobacco products, as calculated by the INSEE.

The municipalities and concessionaire agree to the term of the concession on a case-by-case basis, although it is generally 25 to 30 years. The grounds for terminating a concession contract early are strictly controlled (listed exhaustively) as is the date the concession can be terminated (cannot be in the first half of the contracted term). Termination also requires two years' notice and the concession-granting authority must pay compensation to the concessionaire for early termination.

At December 31, 2011, GrDF held a portfolio of 6,038 natural gas concession agreements.

The 9,461 municipalities serviced by GrDF through these 6,038 agreements are divided into two groups:

- 8,933 municipalities, to which Gaz de France or GrDF has exclusive rights in the service area described in Article L. 111-53 of the Energy Code; and

- 528 municipalities through concession contracts allocated to Gaz de France for the 2003-2011 period after a competitive bidding process initiated by the local authorities.

These concession contracts were all transferred to GrDF, pursuant to Article L. 111-59 of the Energy Code.

As of December 31, 2011, the average residual term of GrDF's concession contracts weighted by volumes distributed was 15.13 years.

Contractual relationships between ERDF and GrDF within the Joint Department. Article L. 111-71 of the Energy Code makes it mandatory to create a joint department in the distribution segment, responsible for construction, worksite project management, network operations and maintenance, metering operations and other related functions.

GrDF and ERDF are linked by an agreement defining their relationship within the Joint Department, the services it provides, and the cost sharing of its activities. This agreement was signed for an indefinite period and may be terminated at any time, subject to 18 months' notice, during which period the parties undertake to renegotiate an agreement.

The Joint Department's agents took almost 22 million gas meter readings in 2011 and made some 2.5 million technical interventions related to gas on customers' premises.

Access to the gas distribution network: principles and tariffs. Since July 1, 2012, GrDF has applied the ATRD4 tariff set by the deliberations on February 28, 2012 of the ERC**,** applicable for a period of four years. The tariff structure is updated on July 1 each year. In addition, a two-year review clause provides for an adjustment in the relevant net operating expense trajectory upwards or downwards for the years 2014 and 2015.

The rate of return applied to the regulated asset base ("RAB") is 6 % (real, pre-tax)[42] for all assets, irrespective of when they were put into service.

The RAB includes all distribution activity assets such as pipelines and connections, pressure regulation stations, meters and other technical equipment. The ERC applies straight-line depreciation to calculate annual capital expenses. Pipelines and connections, which represent 94% of the assets in the regulated asset base, are depreciated over 45 years. The RAB was €14,112 million at January 1, 2012.

In response to the productivity incentive in the ATRD4 pricing structure, GrDF regularly publishes over 20 service quality indicators.

The ATRD4 tariff applies to all regions in which GrDF operates, excluding new concessions allocated after competitive tenders. It includes main tariff options that depend solely on the consumption characteristics of the end customer concerned.

[42] This rate is applied to revalued assets. The revaluation index used is the retail price index, excluding tobacco products, as calculated by the INSEE. It should be noted that assets acquired or disposed of during year N are paid by agreement over a term of six months during this year.

In addition, the deliberations of the ERC establish the tariff policies for new concessions acquired after competitive tenders that are not covered by the equalized ATRD4 tariff. The tariff offered by the operator must be determined by applying the same coefficient to all the terms of the ATRD4 tariff structure, which is used as a reference.

Legal and regulatory framework for gas transmission in France

The Energy Code states that the construction and operation of natural gas transmission pipelines must be authorized by a competent administrative body, the conditions for which are set by Council of State decree (in this case decree 85-1108 of October 15, 1985, as amended by decree 2003-944 of October 3, 2003). Authorizations are registered and non-transferable. Entities that obtain natural gas transmission authorizations must comply with the terms and conditions of these and any appended specifications.

To guarantee the independence of the network operator, we have separated the operational management of its transmission network from its supply and production activities, in accordance with EC Directive 2003/55 of June 26, 2003 on common regulations for the domestic natural gas market (2^{nd} Directive).

With regard to the independence of transmission network operators, France has chosen the “ITO” option (see section 1.3.4.5 above). GRTgaz submitted its application for certification of compliance with independence requirements on June 6, 2011. The file complies with the ERC’s resolution of May 12, 2011 determining its contents. The ERC submitted its draft certification decision to the European Commission for an opinion, pursuant to the regulations, on September 15, 2011. On January 26, 2012, the ERC certified that GRTgaz complies with the independence requirements.

Access to the gas transmission network: principles and tariffs. Since January 1, 2009, GRTgaz has applied the pricing elements established by the ministerial decree of October 6, 2008, which approved the ERC’s tariff proposal of July 10, 2008. The tariff structure has been updated on April 1 each year since 2010. It was established to cover, for each year, the revenue authorized by the ERC based on official inflation data and the best available forecasts of capacity subscriptions for the year in question.

The rate of return applied to the regulated asset base (RAB) is 7.25% (real, pre-tax). It is increased by 1.25% for assets brought into service between 2004 and 2008, or decided prior to 2008 and brought into service from 2009 onwards. A 3% increase was granted for any new investment that creates additional capacity in the primary network.

The RAB includes pipelines, compression stations and pressure regulation/metering stations. To determine the annual fixed costs, the ERC applies a depreciation life of 50 years for transmission pipes and 30 years for compression stations and pressure regulating/metering stations. The RAB was €6,587 million as of January 1, 2011.

In return for the productivity incentive included in the tariff, GRTgaz regularly publishes some 30 service quality indicators.

Network transmission tariffs in France for GRTgaz are currently calculated on a multi-region entry/exit principle based on a simplified division of the country into two regions and using the new 2009-2012 tariffs. This model is being rolled out across the whole of Europe in line with the recommendations of the “Madrid Forum” (a forum of European transmission operators) for the domestic gas market. The tariff for shipping through the GRTgaz transmission network reflects primarily the entry, exit, and subscribed network capacity terms.

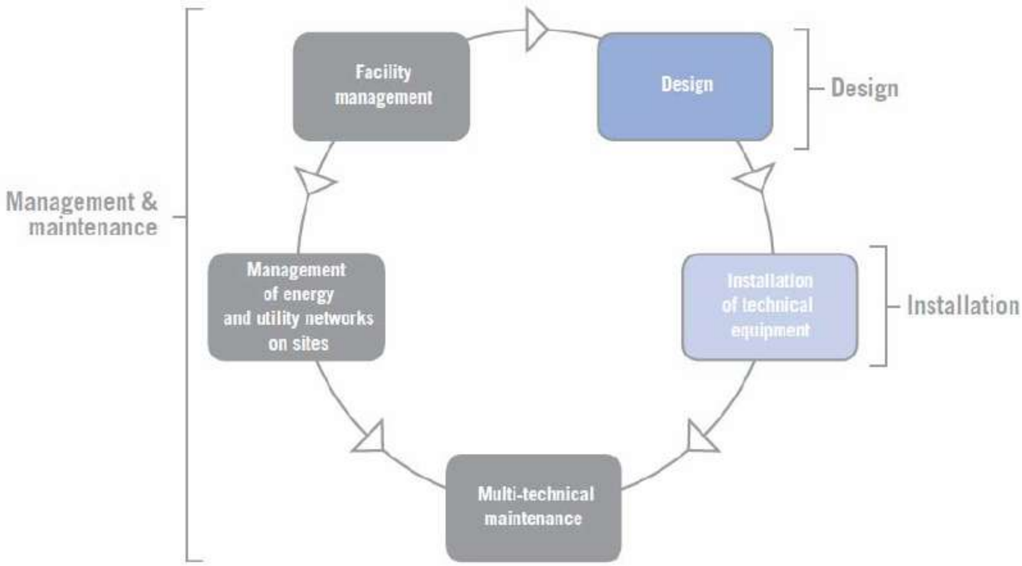
Energy Services

Overview

As the European leader in energy services, our Energy Services operating segment offers environmental and energy-efficient solutions to its industrial, tertiary, local authority, public administration, and infrastructure customers through a multi-technical (e.g., electrical, thermal or HVAC engineering and system integration), multi-service (engineering, installation, maintenance, operation and facilities management), multi-energy (e.g., renewable energy sources and gas) and multi-country offering.

They cover the entire technical services value chain from design, installation and maintenance of equipment to the management of energy and utilities and long-term multi-technical or facilities management. GDF SUEZ Energy Services supports its customers throughout the life cycle of their facilities and their sites. The services provided by GDF SUEZ Energy Services enable its customers to get the most out of their assets, manage their costs more efficiently and focus on their core activity.

Comprehensive solutions throughout the life cycle of our customers' facilities and sites



Environmental and energy efficiency is a European priority in the fight against global warming and one of the major elements in sustainable development policies for companies and local authorities worldwide. It also lies at the core of GDF SUEZ Energy Services. More-efficient energy use means obtaining optimal service that reduces both the overall energy bill as well as its environmental impact.

GDF SUEZ Energy Services is active throughout the energy services chain, from designing facilities to their long-term management.

The GDF SUEZ Energy Services offer may include techniques such as cogeneration that have a high energy return, and may also include the use of renewable energy sources, such as biomass, geothermal or solar energy.

In addition, GDF SUEZ Energy Services seeks to employ technical expertise, project management, contract relations, and geographical networking to meet the major challenges that numerous industrial and service sector customers face:

- the need to refocus on core activities and outsource the search for integrated multi-technical and multi-service solutions, in both the private and public sectors;
- the need to implement energy-efficient solutions in industry or in the service sector, especially pertinent against the background of high energy prices and growing environmental constraints;
- modernization of public institutions: health care establishments, university campuses, military or penitentiary sites, etc.;
- the need to pay increasing attention to mobility and safety with, consequently, a major need to upgrade rail, road, and urban transport infrastructures;
- new forms of contracts that allow performance-based indexing or the sharing of savings made.

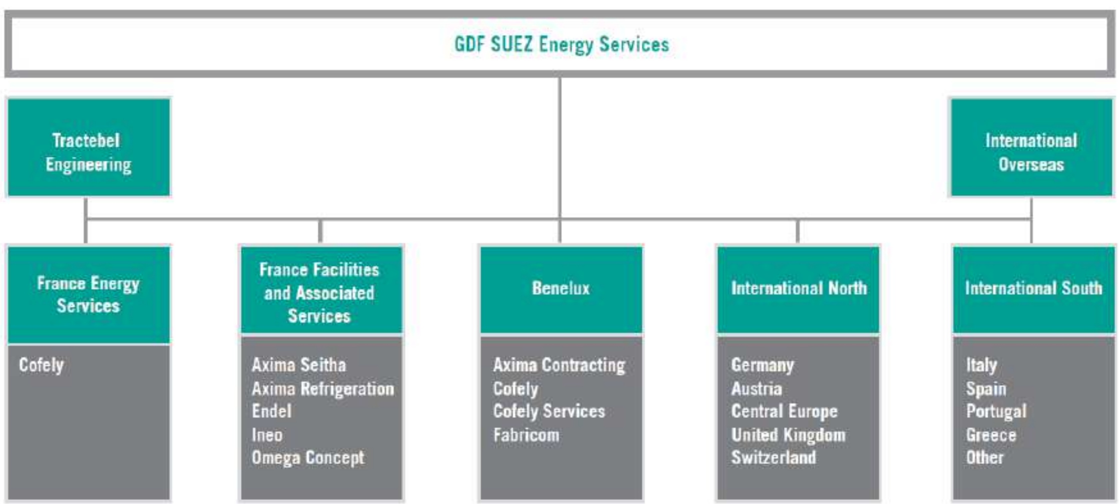
The entities that make up GDF SUEZ Energy Services are structured around a geographical organization of seven Business Units.

With revenue of €14.2 billion, GDF SUEZ Energy Services is the leading player operating on the European energy services market**,** trading under recognized commercial trademarks: Cofely, Axima-Seitha, Omega Concept, Endel, Fabricom, INEO and Tractebel Engineering.

The GDF SUEZ Energy Services business line is currently number one in France, Belgium, the Netherlands and Italy. It occupies a strong position in countries such as the United Kingdom, Germany, Spain, Switzerland and Austria, and has bases for development in other countries, such as Portugal and Greece, as well as in central Europe.

Against this background, GDF SUEZ Energy Services has the following strategic priorities: (i) to continue to improve its profitability by rationalizing the current portfolio of business activities, mobilizing internal synergies, and developing cross-functional offerings; (ii) to consolidate its position as the European leader of multi-technical services by accentuating the sales dynamic and developing innovative offerings in energy efficiency and environmental friendliness, public-private partnerships, new services, etc.; (iii) to strengthen the services component in management and maintenance activities and concentrate on the high added-value sectors of facilities activities that require systems integration capacity or expertise in facilities engineering; and (iv) external growth through targeted acquisitions, development in new geographical regions and new activities.

GDF SUEZ Energy Services: a business organization by country



The business line consists of seven Business Units: Engineering, France Facilities & Associated Services, France Energy Services, Benelux, International North, International South and International Overseas. The organizational structure is fundamentally a geographical one. Each Business Unit is placed under the authority of a single manager who answers for its results directly to the business line's General Management. The business line's management is deliberately decentralized to ensure that decisions are made as close to the ground as possible. Commercial and technical cooperation between the GDF SUEZ Energy Services entities and other GDF SUEZ entities is encouraged in order to achieve optimum efficiency in terms of sharing technical and commercial expertise and costs.

The GDF SUEZ Energy Services offer covers the entire multi-technical services value chain:

- design engineering;
- electrical, mechanical and HVAC engineering; system integration; large projects; industrial maintenance;
- multi-technical management;

- on-site management of energy networks and utilities as well as urban networks, including mobility and public lighting;

- facilities management.

Key Figures

- Its activities generated €14.2 billion in revenues for 2011.

- The business line has 77,000 employees in almost 30 countries, most of them in Europe, where it is active on some 1,300 sites.

Description of Activities

Engineering

Tractebel Engineering is one of the leading engineering firms in Europe. Operating in 20 countries, it provides engineering and consulting solutions to public and private-sector clients in the electricity, nuclear, gas, industry, and infrastructure sectors. Tractebel Engineering offers a range of innovative and long-term solutions throughout the life cycle of its customers' facilities: feasibility studies, basic engineering, assistance with project management, assistance with operations and maintenance, and dismantling.

Facilities and related services

Through its specialist subsidiaries, such as Axima Concept (Axima Seitha and Omega Concept trademarks), INEO, Endel and Fabricom, GDF SUEZ Energy Services provides its customers with multi-technical services to extend the working life and improve the reliability and energy efficiency of their facilities. GDF SUEZ Energy Services operates in the tertiary, industrial, transport and local authority sectors and provides innovative solutions for (i) electrical engineering and communication and information systems; (ii) HVAC engineering and refrigeration; and (iii) industrial maintenance.

Energy services

A leader in Europe, Cofely develops energy and environmentally efficient packages for customers in the tertiary and industrial sectors and helps local authorities with sustainable urban development. Cofely offers solutions for (i) improving the energy and environmental efficiency of buildings (technical management-maintenance, energy efficiency agreements, etc.); (ii) production, operation and distribution of local and renewable energy sources (cogeneration stations, industrial utilities, heat and cold networks); and (iii) integration of services (facilities management, multi-site management, public-private partnerships, etc.).

Electricity production and distribution

GDF SUEZ Energy Services, with its subsidiary SMEG, distributes electricity and gas in Monaco, and produces and sells electricity in the Pacific region with its subsidiaries EEC (New Caledonia), EDT (French Polynesia), EEWF (Wallis and Futuna) and Unelco (Vanuatu), as a partner in the development of these territories.

Principal markets

The region covered by GDF SUEZ Energy Services is mainly Europe: the business line is the revenue leader in France, Belgium, the Netherlands and Italy, and has a strong position in neighboring countries. It also has bases for expansion in Central Europe and growth opportunities further afield (particularly in India, Brazil, the United Arab Emirates, South-East Asia and Canada).

The business line is active in four main markets:

- Industry, which accounts for about 30% of its business. The business line's major industry customers are the oil industry, the paper industry, chemicals, power generation and steel making.

- Private services, accounting for some 30% of its business, mainly in offices and business centers, shopping malls, data centers and the private residential market.

- Public services, which also accounts for about 30%. The Energy Services business line is particularly active in collective housing, public administration, hospitals and university campuses.

- The remainder of its activity is in the infrastructures segment. The business line carries out installation and maintenance work for the electricity and gas networks, ports and airports, and street lighting networks.

Although investment in the industrial market is currently stagnating, this segment offers growth opportunities for targeted service activities, which benefit from the outsourcing trend, the tightening of environmental constraints, and the search for energy efficiency.

The development of public/private partnerships, especially in the public services sector, is a favorable factor for growth in combined facilities and service activities.

Finally, the infrastructure market remains attractive, because of numerous local authority initiatives. GDF SUEZ Energy Services is also recognized as a major player in this market through niche activities in transportation and intelligent security technologies.

GDF SUEZ Energy Services' main competitors are Vinci Énergies, ACS and Spie in facilities-related activities and Dalkia and Johnson Controls in service-related activities.

Suez Environnement

With revenue of €14.8 billion and 80,410 employees as of December 31, 2011, SUEZ Environnement is a benchmark player in the environmental market worldwide (water and waste).

SUEZ Environnement is active in all water and waste cycles, operating on behalf of both local authorities and private entities.

SUEZ Environnement's water-related activities include, in particular:

- capture, treatment and distribution of drinking water;

- network maintenance and plant operation;

- customer management;

- municipal and industrial waste water collection and treatment;

- design, construction, occasional funding and operation of drinking water production plants and waste water treatment plants, as well as desalination and treatment plants for recycling it back into use;

- studies, master plans, modeling of underground water tables and hydraulic flows, and project management of infrastructure and water management projects;

- biological and energy recovery of sludge from sewage plants.

SUEZ Environnement's waste activities include, in particular:

- waste collection (from households, local authorities and industries; non-hazardous and hazardous, excluding waste that may be contaminated by radioactive residue from nuclear activity) and urban cleaning;

- pre-treatment of this waste;

- sorting, recycling and energy recovery from organic and recycled matter;

- incineration or landfill removal of residual matter;
- integrated management of industrial sites (sanitation, cleanup and rehabilitation of polluted sites and soil); and
- treatment and recovery of sludge.

SUEZ Environnement’s business dealings with public and private customers take the form of various types of contracts:

- in water, it signs mainly public service delegation contracts (leasing contracts or concessions), and public sector contracts, but also service, operation and maintenance contracts and construction and engineering contracts;
- in waste, it signs service contracts, management contracts, (delegated or non-delegated, integrated or non-integrated), operation and maintenance contracts and design-build-operate contracts.

In 2011, the consolidated revenue of SUEZ Environnement was almost equally divided between its water and waste activities. In water, in 2011 SUEZ Environnement operated more than 1,200 drinking water production plants, servicing 91 million people. SUEZ Environnement also operated nearly 2,300 wastewater treatment plants for 63 million people. In waste in 2011, SUEZ Environnement treated nearly 42 million tons of waste, and provided waste collection services for over 57 million people as well as over 435,000 customers in services and industry. Degrémont, the world leader (in terms of revenue) in designing and building wastewater treatment plants, also offers SUEZ Environnement a key competitive advantage.

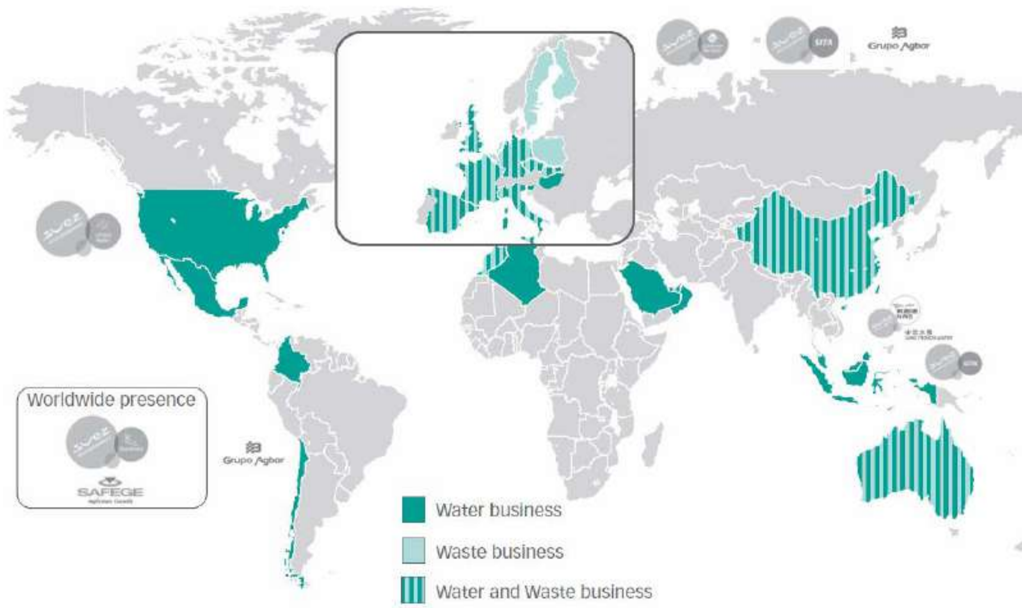
SUEZ Environnement is structured around three main segments: Water Europe, Waste Europe, and International (Degrémont and activities outside Western Europe), which are themselves split into nine business units. Another segment, called “Other”, covers only corporate functions.

Traditionally, SUEZ Environnement finds its source of growth in the European market, which remains its benchmark region. On the basis of this strong European position, which is particularly marked in France, SUEZ Environnement is adept at adapting its expertise and skills for use in other continents.

SUEZ Environnement has a broad network of subsidiaries and branches: at the end of 2011, it was operating in 36 countries. As a result, outside Europe, major cities such as Hong Kong, Casablanca, Algiers, and more recently Melbourne have turned to SUEZ Environnement to manage all or part of their water, sanitation and waste management services, or for the construction of large infrastructures in these areas. SUEZ Environnement usually operates in partnership with local public or private entities that have an in-depth knowledge of the local context, following the example of its historic partnership with La Caixa (Agbar in Spain), or with New World (Sino-French Holdings in China).

SUEZ Environnement operates around the world under various well-known brands, in particular SITA in the waste segment, and Lyonnaise des Eaux, United Water, Dégremont, and Ondeo Industrial Solutions in the water segment.

The map below shows the locations of the main subsidiaries as well as the main brands under which SUEZ Environnement was active around the world as of December 31, 2011.



Finally, SUEZ Environnement has always placed research and development ("R&D") at the heart of its business, particularly through major partnerships, teaming up with both public agencies (e.g., Cemagref, the French national center for scientific research (CNRS), the Universities of Tongji and Tsinghua in China, University of California Los Angeles (UCLA) in the United States, as well as private entities (e.g., R+i Alliance partnership involving Lyonnaise des Eaux, Agbar, United Water, Northumbrian Water and SUEZ Environnement).

Water Europe

Europe represents the core of SUEZ Environnement's water sector activities. In Europe, SUEZ Environnement supplies about 31 million people with drinking water and provides wastewater services to approximately 27 million.

Lyonnaise des Eaux comprises the activities of Lyonnaise des Eaux France, SUEZ Environnement's water activities in Italy and the activities of Safege, which is a wholly-owned subsidiary of Lyonnaise des Eaux providing engineering services to communities, local authorities, public service agents and private and industrial customers in four business lines: water and hydraulic infrastructure, environment and waste, urban and transport infrastructures, and energy.

Lyonnaise des Eaux France's activities are comprised of drinking water production and distribution services (46% by revenues), wastewater treatment services (26% by revenues), and other services including metering (16% by revenues) and work on distribution facilities and networks (12% by revenues). Combined with all of its subsidiaries, it employed more than 11,920 people as of December 31, 2011. Lyonnaise des Eaux France is the second-largest private operator in France.

The Lyonnaise des Eaux France contract portfolio included some 2,500 contracts as of December 31, 2011. The term of these contracts for both water production and distribution services and wastewater collection and treatment services is generally 10-20 years. A significant portion of Lyonnaise des Eaux France's activity is carried out under leasing contracts awarded by delegating public authorities.

On June 8, 2010, SUEZ Environnement, along with Criteria CaixaCorp (Criteria), completed the Agbar acquisition, which was initiated in October 2009. SUEZ Environnement owns 75.35% of this fully consolidated subsidiary. With approximately 9,550 employees around the world, Agbar earned 67% of its revenues in Spain and 33% in the rest of the world.

In Spain, Agbar operates throughout the entire water cycle: catchment, transportation, treatment and distribution of drinking water; collection, treatment and re-use of wastewater; recovery of sludge; and services to customers. The company's customers primarily consist of local public authorities. Agbar supplies drinking water to some 13 million people and also provides wastewater treatment services to over 9 million people. SUEZ Environnement estimates that Agbar is the leading private player in Spain's water sector.

Outside Spain, Agbar provides drinking water services to more than 12 million people and wastewater services to more than 10 million. Outside Spain, Agbar also has a presence in South America; the United Kingdom; China; Algeria; and the United States. Since the end of October 2007, SUEZ Environnement has also been active in Spain through a 33% holding in Aguas de Valencia.

Waste Europe

SUEZ Environnement's waste activities include, in particular: (i) waste collection (from households, local authorities and industries; non-hazardous and hazardous, excluding waste that may be contaminated by radioactive residue from nuclear activity) and urban cleaning; (ii) pre-treatment of this waste; (iii) sorting, recycling and energy recovery from organic and recycled matter; (iv) incineration or landfill removal of residual matter; (v) integrated management of industrial sites (sanitation, cleanup and rehabilitation of polluted sites and soil); and (vi) treatment and recovery of sludge.

Europe is the heart of SUEZ Environnement's waste sector activities. The Waste Europe segment mainly operates through Sita France and its specialized subsidiaries Sita Belgium, Sita Deutschland, Sita Nederland and Sita UK, plus Sita Finland and Sita Sverige in Scandinavia. In 2006, SUEZ Environnement created Terralys, a joint subsidiary of Sita France and LDEF specializing in the composting and treatment of sludge in France.

Companies in the Waste Europe segment generated 56% of their revenues in France, 19% in the United Kingdom and Scandinavian countries and 25% in Germany and Benelux.

In Europe in 2011, SUEZ Environnement's collection activities served nearly 45 million people and nearly 335,000 industrial and commercial customers. SUEZ Environnement collected nearly 20 million metric tons and processed more than 34 million metric tons of household, industrial, and medical waste.

SUEZ Environnement is active in France in the waste sector through Sita France and its subsidiaries. As of December 31, 2011, Sita France employed more than 20,000 people. SUEZ Environnement believes that Sita France is the second-largest private operator in France.

SUEZ Environnement operates in the United Kingdom primarily through its Sita UK subsidiary. SUEZ Environnement estimates that Sita UK is the third-largest private player in the United Kingdom in terms of revenue. SUEZ Environnement is also active in waste collection and treatment activities in Sweden and Finland through its Sita Sverige and Sita Finland subsidiaries. Sita UK, Sita Sverige and Sita Finland employed more than 7,200 people as of December 31, 2011.

SUEZ Environnement operates in Germany, Belgium and the Netherlands through its subsidiaries Sita Deutschland, Sita Belgium and Sita Nederland. Sita Deutschland, Sita Belgium and Sita Nederland employed about 7,750 people as of December 31, 2011. SUEZ Environnement estimates that Sita Deutschland is the fourth-largest private operator in Germany.

International

In addition to Europe, SUEZ Environnement operates in the water and waste sectors in more than 15 countries. As a result of selective growth abroad, this position is based primarily upon a strong presence in four regions:

- North America;
- Asia-Pacific;
- Central Europe; and
- the Mediterranean basin and the Middle East.

A joint organizational structure in water and waste activities has generated synergies in operating expenses and combined product offerings. In addition, depending on the country, SUEZ Environnement has been able to rely on the commercial growth already achieved by each of the activities as a basis for further development, as in Central Europe, China and Australia, for example.

Degrémont, a wholly-owned subsidiary of SUEZ Environnement, is at the core of SUEZ Environnement's international growth strategy due to its presence and contracts on the five continents. For over 70 years, Degrémont has designed, built, equipped and operated drinking water plants, industrial process water plants, desalination plants for seawater and brackish water and urban and industrial wastewater treatment, recycling and sludge treatment plants. Degrémont has a presence in over 70 countries and employed more than 4,500 employees (35% of them in France) as of December 31, 2011.

Degrémont's design-build activities represented 68%, BOT (Build, Operate and Transfer) contract management and services 18% and the equipment business 14% of Degrémont's total revenues. Approximately 1 billion people have been served by nearly 10,000 facilities designed, built or equipped by Degrémont throughout the world since the company was created.

Degrémont's traditional activity is conducted under turnkey contracts via which Degrémont guarantees its customers the completion and satisfactory performance of their plant within a predetermined period. This service includes engineering, provision of plans, purchase of equipment, building site supervision, installation of equipment and the preliminary operation of the facility.

In 2011, 77% of Degrémont's revenues were generated outside France. Degrémont carries out its international activities through numerous subsidiaries: in Europe (Switzerland, Belgium, Spain, Italy, Portugal, Czech Republic and Norway) and Russia; in Latin America (Mexico, Chile, Argentina, Brazil, Peru and Colombia): in the Middle East (Lebanon, Jordan, United Arab Emirates, Oman and Bahrain); in Africa (Egypt, Algeria, Morocco, South Africa, Nigeria, Senegal and Burkina Faso); in Asia; in Australia and New Zealand; and in North America.

In the United States, SUEZ Environnement manages water and wastewater services through SUEZ Environnement North America and its wholly-owned subsidiaries United Water and Utility Service Group. SUEZ Environnement estimates that it is the second-largest private operator (as of December 31, 2011) in the water sector in the United States in terms of total revenues for "regulated" activities and service contracts.

In Mexico, SUEZ Environnement conducts public service contract activities provided by a local company, Bal-Ondeo, which is jointly owned by SUEZ Environnement and the Mexican company Peñoles. It is the largest private operator in water-related services in Mexico.

In 2011, the Asia-Pacific business unit employed some 4,215 people in the region as of December 31, 2011. SUEZ Environnement has a presence in China through its water and electricity management concessions in Macao and its 25 subsidiaries, established through partnerships with local public entities for the production and distribution of drinking water and wastewater treatment services. SUEZ Environnement estimates that it is one of the five largest private operators in the Chinese market for drinking water and wastewater treatment services. In addition, SUEZ Environnement has been active in the Hong Kong waste sector since 1998 through Sita Waste Services, and is also established in continental China through a joint venture with local partners.

In Australia, SUEZ Environnement is active in the Australian water sector through Degrémont, which began building the Melbourne desalination plant in 2009. SUEZ Environnement has a presence in Australia's waste sector through Sita Australia, a company jointly owned by SUEZ Environnement (60%) and Singapore-based SembCorp Industries (40%) which operates in engineering, energy, logistics and construction. Sita Australia has retained its position as Australia's leader in the MBT (mechanical biological treatment) market and now considers itself the leader in waste recycling and treatment. SUEZ Environnement is the second-largest player in the solid waste segment in Australia.

SUEZ Environnement is active in the Indonesian water sector through its 51%-owned subsidiary PT PAM Lyonnaise Jaya. PT Astradel Nusantra (local partner) currently holds the remaining 49%.

The companies in Central and Eastern Europe, the Mediterranean basin and the Middle East employed more than 9,400 people as of December 31, 2011.

In Central Europe, SUEZ Environnement has been active, alone or through partnerships, in the water, drinking water and wastewater treatment services sectors for many years in several new European Union Member States.

SUEZ Environnement is also active in the waste sector in Poland through its subsidiary SE Polska, leader in the industrial and household waste and urban cleaning sectors, and in the Czech Republic and Slovakia, though its subsidiaries Sita CZ and Sita SK, which collect and treat municipal and industrial waste. It is the third-largest private waste sector player in these two countries.

In Morocco, SUEZ Environnement is active in the water sector through Lyonnaise des Eaux de Casablanca (Lydec), in which it has a 51% stake, with a further 34.75% of Lydec owned by Fipar Holding and RMA Wataniya, and the remainder traded on the Casablanca stock exchange. SUEZ Environnement also operates waste activities in Morocco through Sita El Beida.

In Algeria, SUEZ Environnement has had a presence since 2005, with a management contract through which it contributes its expertise and provides employees in order to help improve drinking water distribution and wastewater treatment services for the city of Algiers.

Finally, SUEZ Environnement has a historic presence in the Middle East water segment, notably through Degrémont, and is active through local partnerships in the United Arab Emirates and Saudi Arabia. In the waste sector, SUEZ Environnement is active in the United Arab Emirates through its subsidiary Trashco.

Real Estate, Plants & Equipment

We own or rent a significant number of real estate properties, facilities, and plants around the world, most of which are in Europe. Many Group activities involve operating very large plants that we only partially own.

At December 31, 2011, we operated electricity power plants, natural gas terminals and storage facilities in over 30 countries.

The tables below show the main facilities currently in operation, either wholly or partially owned by us. Leased properties are covered in notes 20 and 21 of our consolidated financial statements for FY2011.

Power Plants (> 400 MW)

Country	Site/plant	Total capacity[1] (MW)	Type
Germany	Fenne	420	Coal-fired plant
	Zolling	538	Biomass and coal-fired plant
Saudi Arabia	Marafiq	2,741	Natural gas plant
Australia	Hazelwood	1,542	Coal-fired plant
	Loy Yang	955	Coal-fired plant
	Pelican Point	479	Natural gas plant
Bahrain	Al Dur	406	Natural gas plant
	Al Ezzel	954	Natural gas plant
	Al Hidd	929	Natural gas plant
Belgium	Amercœur	420	Natural gas plant
	Coo	1,164	Pumped-storage plant
	Doel	2,911	Nuclear plant
	Drogenbos	538	Natural gas plant
	Herdersbrug	460	Natural gas plant
	Ruien	879	Natural gas, biomass and coal-fired plant
	Tihange	3,016	Nuclear plant

Power Plants (> 400 MW)

Country	Site/plant	Total capacity[(1)] (MW)	Type
	T-Power	420	Natural gas plant
Brazil	Cana Brava	450	Hydroelectric plant
	Estreito	544	Hydroelectric plant
	Ita	1,450	Hydroelectric plant
	Jorge Lacerda	773	Coal-fired plant
	Machadinho	1,140	Hydroelectric plant
	Salto Osòrio	1,078	Hydroelectric plant
	Salto Santiago	1,420	Hydroelectric plant
Chile	Mejillones	869	Coal-fired and natural gas plants
	Tocopilla	963	Natural gas, coal- and fuel oil-fired plants
United Arab Emirates	Shuweihat	1,500	Natural gas plant
	Shuweihat II	1,510	Natural gas plant
	Taweelah	1,592	Natural gas plant
	Umm Al Nar	2,240	Natural gas plant
Spain	Cartagena	1,199	Natural gas plant
	Castelnou	774	Natural gas plant
United States	Astoria	1,150	Natural gas plant
	Armstrong	620	Natural gas plant
	Bellingham	527	Natural gas plant
	Blackstone	478	Natural gas plant
	Coleto Creek	635	Coal-fired plant
	Hays	893	Natural gas plant
	Hot Spring	746	Natural gas plant
	Midlothian	1,394	Natural gas plant
	Northfield Mountain	1,102	Pumped-storage plant
	Red Hills	1,186	Natural gas and coal-fired plants
	Troy	609	Natural gas plant
	Wise County Power	746	Natural gas plant
France	CombiGolfe	435	Natural gas plant
	CyCoFos	489	Natural gas and steelworks gas-fired plant
	DK6 (Dunkerque)	788	Natural gas and steelworks gas-fired plant
	Génissiat	423	Hydroelectric plant
	Montoir-de-Bretagne	435	Natural gas plant
Greece	Viotia	570	Natural gas plant
Hungary	Dunamenti	1,867	Natural gas and fuel oil-fired plant
Indonesia	Paiton	1,208	Coal-fired plant
Italy	Isab	532	Natural gas and fuel oil-fired plant
	Maestrale	550	Wind turbines
	Torre Valdaliga[(2)]	1,445	Natural gas plant
	Vado Ligure	1,372	Natural gas and coal-fired plant
Oman	Al-Rusail	665	Natural gas plant
	Barka II	678	Natural gas plant
	Sohar	585	Cogeneration
Pakistan	Kapco	1,345	Natural gas and fuel oil-fired plants
	Uch	551	Natural gas plant
Netherlands	Bergum	664	Natural gas plant
	Eems	2,455	Natural gas plant
	Flevo	989	Natural gas plant

Power Plants (> 400 MW)

Country	Site/plant	Total capacity(1) (MW)	Type
	Gelderland	590	Biomass and coal-fired plants
Peru	Chilca	538	Natural gas plant
Poland	Polaniec	1,452	Biomass and coal-fired plants
Puerto Rico	Ecoelectrica	507	Natural gas plant
Portugal	Elecgas	840	Natural gas plant
	Pego	576	Coal-fired plant
	Turbogas	990	Natural gas plant
Qatar	Ras Laffan B	1,025	Natural gas plant
	Ras Laffan C	2,730	Natural gas plant
United Kingdom	Deeside	515	Natural gas plant
	Eggborough	1,960	Coal-fired plant
	First Hydro	2,088	Pumped-storage plant
	Rugeley	1,026	Coal-fired plant
	Saltend	1,197	Natural gas plant
	Teesside	1,875	Natural gas plant
Singapore	Senoko	2,445	Natural gas and fuel oil-fired plants
Thailand	Glow IPP	713	Natural gas plant
Turkey	Ankara	763	Natural gas plant
	Marmara	480	Natural gas plant

(1) Capacity of assets held by GDF SUEZ, all of which are taken into account irrespective of the real ownership percentage.

(2) Of which 308 MW has been shelved.

Underground Natural Gas Storage

Country	Location	Useful storage volume (Mm^3) net*
France	Gournay-sur-Aronde (Oise)	1,280
France	Saint-Clair-sur-Epte (Val-d'Oise)	530
France	Germigny-sous-Coulombs (Seine-et-Marne)	880
France	Beynes (Yvelines)	497
France	Saint-Illiers-la-Ville (Yvelines)	690
France	Soing-en-Sologne (Loir-et-Cher)	220
France	Chémery (Loir-et-Cher)	3,710
France	Céré-la-Ronde (Indre-et-Loire)	570
France	Cerville (Meurthe-et-Moselle)	650
France	Étrez (Ain)	579
France	Tersanne (Drôme)	173
France	Manosque (Alpes de Haute-Provence)	140
France	Trois-Fontaines	80
Germany	Reitbrook	350
Germany	Fronhofen	35
Germany	Peckensen	220
Germany	Schmidhausen	150
Germany	Uelsen	750
Germany	Harsefeld	119
Germany	Lesum	159
Germany	Breitbrunn	213
Germany	Grunewald	43
Canada	Pointe du Lac	10
Canada	Saint-Flavien	50

Underground Natural Gas Storage

Country	Location	Useful storage volume (Mm^3) net*
Slovakia	Nafta	300
Slovakia	Pozagas	270
Romania	Amgaz	33
Romania	Depomures	177

* Pro rata to the stake held.

Methane Terminals

Country	Location	Total capacity(2)
France	Montoir-de-Bretagne	10 Gm3(n)/year
France	Tonkin (Fos-sur-Mer)	5.5 Gm3(n)/year(1)
France	Cavaou (Fos-sur-Mer)	8.25 Gm3(n)/year
United States	Everett	6.3 Gm3(n)/year
United States	Neptune	3.5 Gm3(n)/year
Chile	Mejillones	1.7 Gm3(n)/year
Puerto Rico	Penuelas	0.8 Gm3(n)/year

(1) Capacity rose temporarily to 7 Gm^3/year at the end of 2005 before decreasing again to 5.5 Gm^3/year at the end of 2010.

(2) Capacity of assets held by GDF SUEZ, all of which are taken into account irrespective of the real ownership percentage.

Employees

As of December 31, 2011, we had 218,873 employees. The following table sets out the details of employees at each of our operating segments as of December 31, 2009, 2010 and 2011:

Employees	FY 2011	FY 2010	FY 2009
Energy France	10,824	11,033	10,787
Energy Europe & International	26,797	25,002	24,279
Global Gas & LNG	2,222	2,452	2,310
Infrastructures	17,803	17,500	17,341
Energy Services	77,203	75,872	76,766
Environment	80,410	79,554	65,895
Group Total	**218,873**	**214,808**	**200,644**

Personnel costs totaled €12,775 million in FY 2011, compared to €11,775 million in FY 2010.

Employee Representation

Discussion between management and employee representatives, particularly regarding our industrial, economic, financial and social strategy, is channeled through representative bodies.

The European Works Council (EWC)

The EWC at GDF SUEZ was established under the agreement of May 6, 2009, which was signed by all the European social partners.

The EWC is composed of 64 members and represents 191,296 employees in the European countries where the Group is present. Its purpose is to develop and strengthen European social dialogue, ensure balanced representation between the Group's countries and main business activities, and develop social dialogue within these activities.

This dialogue is based on working groups set up by business area (Energy, Environment, and Services) or by theme (jobs, training, mobility, diversity and professional equality, health and safety, social guarantees and social reporting), and on a 14-member secretariat representing nine countries and meeting once a month.

In 2011, the EWC held eight full-session meetings, 13 meetings of the EWC secretariat and nine working group meetings.

French Group Works Council

An agreement signed on June 2, 2009 also launched the French Group Works Council. This body represents more than 108,319 employees in France. Two meetings were held in 2011.

Collective bargaining agreements

A global agreement on fundamental rights, social dialogue and sustainable development was signed on November 16, 2010 with several global union federations.

In 2011, negotiations began at the European level on professional gender equality.

On February 23, 2010, two agreements were signed at the European level on the following topics: management and planning of jobs and skills; and a health and safety policy. The second agreement applies worldwide.

Monitoring committees met in 2011 for the various agreements signed in 2009 and 2010 at the international, European and French levels to measure the application of these agreements within the Group and to highlight good practices. In addition to the agreements mentioned above, the following agreements were also signed:

- a Group-wide agreement to set up a collective retirement savings plan (Plan d'Épargne Retraite Collectif - PERCO) and develop a Group savings plan (Plan d'Épargne Groupe - PEG);
- an agreement on jobs and careers for older workers, signed by three trade unions on December 8, 2009;
- an agreement on the prevention of psychosocial risks by improving the quality of work life, signed by the five trade unions on February 18, 2010.

Involvement in the International Social Observatory

We support the International Social Observatory (ISO) and its efforts on well-being at work, corporate governance, the role and training of managers and the issues of financial mechanisms developed within a social policy framework (employee savings and solidarity funds, employee shareholding and socially responsible investing).

On May 17, 2011, the ISO met to monitor the "Commitment to Well-being at Work and the Universal Right to Healthcare", which was made public in 2010 and signed by about 15 international companies, trade unions and public partners. It also initiated a study on enhancing human resources and development policies. The ISO continued to support the activities of its local branches in Morocco and Chile. It has also laid the groundwork for expanding to Brazil.

Innovation, Research and Development Policy

Our expertise is enriched by a dynamic research and innovation policy supported by an international network of research centers and laboratories, together with partnerships with internationally recognized organizations. More than 1,100 researchers, driven by a passion for innovation and the development of new solutions, contribute to the technological excellence in all our activities. In 2011, expenditure on research & development in technology amounted to €231 million and there were some 3,200 patents in the Group's portfolio (including SUEZ Environnement).

We respond to requests from the business lines in terms of operational excellence research and places prospective corporate research programs within three strategic priorities: carbon-free energy production, intelligent management of energy and the environment, and gas value chains of the future. These highly innovative programs on technologies of the future are: the city and building of tomorrow, smart energy and environment, renewable energy sources, CO_2 capture and storage ("CSC"), offshore LNG, and gas value chains of the future.

A Global Network of Research Centers

Research and innovation is directed by the Research and Innovation Department and is carried out mainly in specialist research centers.

CRIGEN. CRIGEN (*Centre de Recherche et Innovation Gaz et Energies Nouvelles*), the corporate research center located in the Paris region, has 403 employees. It operates in two key fields:

- developing products and services for end-customers, such as high-performance energy and environmental products and services, renewable energy sources, energy efficiency and new technologies (e.g., smart technologies, hydrogen), and

- predictive maintenance, and infrastructure sustainability and safety: E&P, gas networks, gas storage, LNG, energy storage, CO_2 capture and storage,

as well as in innovative technologies, such as web innovation, information & communications technologies, mobility solutions, lifecycle analysis and assessment of environmental footprint and nanotechnologies.

Laborelec. Attached to the Energy Europe & International business line, Laborelec is our center for research and skills in electricity technology, located near Brussels. With a staff of 255 in 2011, Laborelec generates 70% of its revenue from consultancy, including 25% for third-party customers. Its skills and activities cover the production, transmission, distribution and end-use of energy. Its expertise focuses on reducing environmental impact, improving availability and maintenance, and the energy systems of the future.

SUEZ Environnement. R&D centers (CIRSEE, DENARD, CETAQUA and Shanghai Chemical Industry Park) and expert networks are based in France, Spain, the United States and China. In 2011, the SUEZ Environnement research center network had a new addition: the LyRE (Lyonnaise Recherche) center, centrally located at the Bordeaux campus (France). LyRE has an innovative governance system involving regional players, local authorities, universities and the research center. In addition to working to solve the major issues posed by health and environmental risks, the research and development efforts of SUEZ Environnement also aim to meet the major challenges of sustainable development: to combat climate change, to limit the impact of our activities on resources and to manage the environmental impact as well as health and environmental risks. In total, more than 400 researchers and experts from around the world are engaged full-time in the innovation, research and technological development activities led by us.

Cylergie. Attached to the Energy Services business line, Cylergie is based near Lyon. Its expertise is used for energy services activities. Special attention is paid to energy efficiency, management of air quality and health, and monitoring performance commitments. Its research priorities are: heating and cooling networks, energy management, metrology and remote systems, thermal renewable energy, the environmental impact of heat production, interior air quality and controlling sanitation risks.

Tractebel Engineering. Attached to the Energy Services business line, Tractebel Engineering operates in Belgium, France, Italy, Poland, Romania, the Czech Republic, India, Thailand, the United Arab Emirates, Brazil, Chile and Panama. Tractebel Engineering structures its R&D activity on three main areas: sustainable energy (thermal production with low CO_2 emissions and renewable energy sources), nuclear energy, and transmission and distribution networks.

INEO. Under the Energy Services business line, INEO is based in France and structures its R&D and innovation activity around the ideas of systems and "systems of systems" that bring together the company's expertise in energy, communication networks and information systems. This work relates to various businesses: operational communication systems (specialized transmissions, infrastructure protection), transportation systems (operations support, passenger information), electrical systems (digital command and control, intelligent buildings) and intelligent networks (street lighting, electric vehicle-charging infrastructures, smart grids and smart metering). With this in mind, INEO maintains a presence with centers of competitiveness, is a member of an "SME Pact" grouping together innovative SMEs and major accounts, and participates in partnership research programs sponsored by European funds, ADEME (French Agency for Environment and Energy Management) or the *Agence Nationale de la Recherche* (French National Research Agency).

The E&P business unit. Attached to the Global Gas & LNG business line, the E&P business unit carries out R&D for the Group in geosciences for E&P and underground storage.

Nuclear. In the nuclear field, various R&D activities are undertaken in the following areas: surface and deep storage of nuclear waste, decommissioning and dismantling of nuclear facilities, improvement of existing technologies, safe extension of the serviceable life of facilities, chemistry of primary, secondary and tertiary circuits, and participation in the development of new technologies (4th generation fast-neutron or high-temperature thermal nuclear reactors ("GEN IV"), experimental international thermonuclear fusion reactor ("ITER"), etc.).

Intellectual Property

Patents

The intellectual property held by us through patents, brands and copyright on software and databases contributes to the technological products and services that set it apart from its competitors and enable recognition of some of its activities.

GDF SUEZ S.A. Our portfolio includes 176 patented innovations protected by 945 deeds of ownership worldwide.

SUEZ Environnement. The SUEZ Environnement patent portfolio represents 257 patent categories, i.e., around 2,000 national patents filed in more than 70 countries.

Brands

GDF SUEZ S.A. The flagship brand "GDF SUEZ" (name and logotype) is registered in over 100 countries and is increasingly well-known. As a vital part of our intangible corporate assets, the brand is constantly monitored to protect it against any fraudulent use that could harm our image.

We own many other brands registered internationally, including for the activities of our various subsidiaries. An increasing number of these brands are also being monitored.

SUEZ Environnement. At December 31, 2011, SUEZ Environnement held a portfolio of approximately 500 trademarks.

Legal Proceedings

In the normal course of its business, we are party to a number of legal and arbitration proceedings with third parties and are subject to certain investigations and proceedings under competition law. The main proceedings and investigations at the date of this offering memorandum are presented in Note 26 of our FY 2011 financial statements, as updated and supplemented by Note 8 of our HY 2012 financial statements. Provisions recorded in that respect totaled €818 million at June 30, 2012 (versus €736 million at December 31, 2011).

With the exception of the proceedings described Note 26 of our FY 2011, as updated and supplemented by Note 8 of our HY 2012 financial statements, we are not aware of any other governmental, legal or arbitration proceedings (including any pending or threatened) which have had or are likely to have a material impact on our financial position and/or profitability within the past twelve months.

MANAGEMENT

Executive Management Structure

The senior management of GDF SUEZ is composed of Mr. Gérard Mestrallet, Chairman of the Board of Directors and Chief Executive Officer (*Président-Directeur Géneral*) and Mr. Jean-François Cirelli, Vice-Chairman of the Board of Directors and President (*Vice-Président, Directeur Général Délégué*).

The Chairman and Chief Executive Officer and the Vice-Chairman, President each have the broadest powers to act in all circumstances in the name of the Company, subject to the limitations provided for by French law and the provisions set out in the Internal Regulations of the board of directors.

Seven Executive Vice-Presidents (*Directeurs Généraux adjoints*) assist Messrs. Mestrallet and Cirelli and, together with them, form the Management Committee (*Comité de Direction*): Dirk Beeuwsaert, Valérie Bernis, Jean-Louis Chaussade, Jean-Marie Dauger, Jean-Claude Depail, Isabelle Kocher and Jérôme Tolot.

The Executive Committee (*Comité Exécutif*) consists of 27 members. In addition to the parties named above, the remaining members of the Executive Committee are Bruno Bensasson, Jean-Louis Blanc, Claire Brabec-Lagrange, Alain Chaigneau, Pierre Clavel, Phil Cox, Henri Ducré, Véronique Durand-Charlot, Marc Florette, Yves de Gaulle, Jean-Pierre Hansen, Philippe Jeunet, Christelle Martin, Didier Rétali, Paul Rorive, Philippe Saimpert, Denis Simonneau and Emmanuel van Innis.

Biographical Information of the Members of the Executive Committee

Gérard Mestrallet (French citizen, born April 1, 1949 in Paris, France), Chairman and Chief Executive Officer of GDF SUEZ, a graduate of the prestigious French engineering school, *École Polytechnique*, and the *École Nationale d'Administration (ENA)*, joined Compagnie de Suez in 1984 as a Special Advisor. In 1986 he was appointed Senior Executive Vice-President in charge of industrial affairs. In February 1991 he was named Executive Director and Chairman of the Management Committee of Société Générale de Belgique. In 1995, he became Chairman and Chief Executive Officer of Compagnie de Suez and in June 1997, Chairman of the SUEZ Lyonnaise des Eaux Executive Board. Former Chairman and CEO of SUEZ, Gérard Mestrallet was appointed Chairman and CEO of GDF SUEZ on July 22, 2008. He is also the Chairman of Paris EUROPLACE and a member of the Board of Institut Français des Administrateurs (French Institute of Corporate Directors). Certain other directorships and positions include Chairman of the Board of Directors of GDF SUEZ Energy Services, SUEZ Environment Company (France) and GDF SUEZ Belgium (Belgium), Vice-Chairman of the Board of Directors of Electrabel (Belgium), Aguas de Barcelona (Spain), Chairman of the Board of GDF SUEZ Rassembleurs d'Energies, Director of Saint-Gobain (France), Pargesa Holding S.A. (Switzerland) and International Power (United Kingdom).

Jean-François Cirelli (French citizen, born July 9, 1958 in Chambéry, France), Vice-Chairman and President in charge of the Energy Europe business line, is a graduate of the Paris *Institut d'Études Politiques* and the *École Nationale d'Administration (ENA)*, who also holds a law degree. From 1985 to 1995, he held positions with the Treasury Department at the Ministry of Economy and Finance before becoming Technical Advisor to the French President from 1995 to 1997, then Economic Advisor from 1997 to 2002. In 2002, he was appointed Deputy Director Chief of Staff of Prime Minister Jean-Pierre Raffarin, in charge of economic, industrial and corporate affairs. Former Chairman and Chief Executive Officer of Gaz de France from 2004 to 2008, Jean-François Cirelli was appointed Vice-Chairman, President of GDF SUEZ on July 22, 2008. Certain other directorships and positions held include Chairman of the Board of Directors of Gaselys SAS (France), Electrabel and Eurogas (Belgium), Vice-Chairman of the Corporate Foundation of GDF SUEZ, Director of GDF SUEZ Energy Services, SUEZ Environnement Company (France), GDF SUEZ Belgium (Belgium) and International Power (United Kingdom), and Member of the Supervisory Board of Vallourec.

Dirk Beeuwsaert (Belgian citizen, born January 14, 1948 in Rumbeke, Belgium), Executive Vice-President in charge of the Energy International business line, is a civil electromechanical engineer and a graduate of the European Center for Executive Development (CEDEP), Fontainebleau. Until 2000, he spent his career within the Electrabel group, after joining Integrates Intercom in 1971. In May 2000, he became CEO of Tractebel Electricity and Gas International and a member of Tractebel's Management Committee. In 2003, he was appointed Executive

Vice-President in charge of Suez Energy International. Certain other directorships and positions held include Director of Tractebel Energia (Brazil), Glow Energy (Thailand) and Chairman of the Board of SUEZ Energy North America.

Valérie Bernis (French citizen, born December 9, 1958 in Limoges, France), Executive Vice-President, Communications and Marketing, is a graduate of the University of Limoges in Economics and the *Institut Supérieur de Gestion* (Paris). She was Special Press Advisor in the French Ministry of Economics, Finances and Privatization from 1986 until 1988. From 1988 to 1991, she was Communications Director at Cerus. From 1993 until 1995, she was Press and Communications Officer for Edouard Balladur. In December 1995, she was appointed Communications Director at Compagnie de Suez. In 1997, she became Senior Vice-President for Financial and Corporate Communications and Special Advisor to the President of Suez Lyonnaise des Eaux. In 2001, she became Executive Vice-President of Suez in charge of Communications and Sustainable Development and a member of the Executive Committee. From 1999-2004, she was Chairman and CEO of Paris Première Television Channel. Certain other directorships and positions held include Member of the Supervisory Board and the Audit Committee of Eurodisney (independent director), Member of the Board and Audit Committee of BULL (independent director), Director of SUEZ-Tractebel, *Société Monégasque d'Electricité et de Gaz* (SMEG), SUEZ Environnement and SUEZ Energy Resources NA (SERNA).

Jean-Louis Chaussade (French citizen, born December 2, 1951 in Châlons-sur-Marne, France), Executive Vice-President of Suez Environnement, has a degree in Engineering, a Master's degree in Economics and is a graduate of the *Institut des Sciences Politiques de Paris* and the Harvard Business School's Advance Management Program. He joined Degrémont France in 1978 and became Director of Operations for Degrémont Spain in 1989. In 1992, he was appointed Special Adviser to Dumez Copisa (Spain). In 1997, he became CEO of Aguas Argentinas and all Suez interests in South America, and in 2000 he was appointed CEO of Degrèmont where he has served as Chairman since 2004. Also in 2004, he became Executive Vice-President of Suez in charge of Suez Environnement and a member of the Suez Executive Committee. Certain other directorships and positions held include Director of Aguas de Barcelona, United Water, Lyonnaise des Eaux, Degrémont, Terralys, Société des Eaux de Marseille and SITA France.

Jean-Marie Dauger (French citizen, born April 27, 1952 in Choisy-le-Roi, France), Executive Vice-President in charge of the Global Gas & LNG business line, is a graduate of the *Ecole des Hautes Etudes Commerciales* (HEC). After starting his career in various positions at Péchiney, Banque Trad (Lebanon) and in the Finance Division of EDF in 1975, Jean-Marie Dauger joined the Production and Transmission Division of Gaz de France in 1978. In 1985, he joined the Gas Supply Division of Gaz de France where he was Head of the Division from 1991 to 1995. In 1995, he was appointed Head of the Strategy and Management Division of Gaz de France and became Executive Vice President of Gaz de France in 2000. From 2004 to 2007, he was responsible for energy procurement, production and trading for the Group and international development strategy until his appointment in 2007 as Chief Operating Officer of Gaz de France and Head of the Global Gas & LNG business line of Gaz de France. Since 2008, he has been a Director of Electrabel.

Jean-Claude Depail (French citizen, born April 16, 1949 in Guémené-Penfao, France), Executive Vice-President in charge of the Infrastructures business line, graduated from ENSEM (Nancy) with a degree in engineering and holds a Master's degree in Physical Sciences and Economics. In 1973, he joined the Economic Research Department of the Economic and Commercial Division of Gaz de France. In 1978, he moved to the Transportation Production Division of Gaz de France before being appointed Head of the Research Department in charge of designing the transportation network in 1983. In 1986, he became regional delegate to Angoulême for *Compagnie Française du Méthane*, a subsidiary of Elf, Total and Gaz de France before being appointed Head of the Normandy Region of the Transportation Production Division of Gaz de France in 1990. In 1993, he joined the Sales Division, in charge of relations with major industrial accounts. From 1998 to 1999, he prepared the sales organization of Gaz de France for major accounts following the adoption of the first gas directive. In 1999, he was named Head of Key Accounts for Gaz de France before being appointed one year later as Head of Sales and Marketing for France Négoce. In 2003, he was appointed Head of France Négoce in charge of gas supplies, with responsibility for optimizing natural gas management and sales to major clients in Europe, before serving as Chief Operating Officer of the Global Gas & LNG business line between 2007 and 2010. He is also President of the European Association of Infrastructure Operators.

Isabelle Kocher (French citizen, born on December 9, 1966 in Neuilly-sur Seine, France), Executive Vice-President, Chief Financial Officer, is a graduate of the *Ecole Normale Supérieure* (Paris) and an Engineer of the *Corps des Mines.* She also has a postgraduate degree in quantum optics and aggregation in Physics. In 1991, she started her career as Project Manager for the optimization and restructuring of production workshops at the *Société Européenne de Propulsion*. In 1992, she joined the Merger and Acquisitions Department of *Compagnie Financière Edmond de Rothschild.* In 1994, she became Manager of the Industrial Inspection and Certification Department at the DRIRE for the Ile-de-France and in 1997, she became Manager of the postal and telecommunications budgets, followed by the defense budget at the Budget Department. In 1999, she was appointed Industrial Affairs Adviser to the Prime Minister of France. From 2002 to 2005, she was in charge of the strategic overview of the Suez Group and the strategic monitoring of Suez Environnement. From 2005 to 2007, she was Senior Vice President in charge of performance and reorganization programs of the Suez Group. From 2007 to 2009, she was Executive Vice President of Lyonnaise des Eaux and from 2009 to 2011, she was Managing Director of Lyonnaise des Eaux, in charge of the development of activities in Europe. She is also a Non-Executive Director of International Power plc.

Jérôme Tolot (French citizen, born January 4, 1952 in Oullins, France), Executive Vice-President in charge of the Energy Services business line, is a graduate of INSEAD and the *Institut d'Etudes Politiques de Paris*, and also holds a degree in Economics. After working with McKinsey, he joined Lyonnaise des Eaux in 1982. In 2000, he was appointed Director and Senior Executive Vice-President for the central functions of the Vinci group. In February 2002, he was named Chairman and Chief Executive Officer of SITA and became Executive Vice-President of SUEZ and member of the Executive Committee. He was appointed Chief Executive Officer of Fabricom in September 2003 and since 2005, he has been Executive Vice-President of SUEZ Energy Services. Certain other directorships and positions held include Director of *Société Monégasque d'Electricité et de Gaz* (SMEG), SUEZ Environnement, GDF SUEZ University, GTI, Ineo, Axima Services and Fabricom.

Bruno Bensasson (French citizen, born October 21, 1972 in Paris, France), Director of Strategy and Sustainable Development, is a graduate of the *Ecole Polytechnique* and the *Ecole des Mines*, Paris. In 1998, he began his career as Head of the nuclear installations division at the Regional Department of industry, research and the environment for Lower Normandy. In 2002, he was appointed Chief of Staff of the General Director of the General Directorate of nuclear safety and radioprotection before becoming Technical Advisor responsible for the environment, new energies and nuclear with the Minister of Industry in 2004. In 2006, he was named Technical Advisor responsible for the environment, industry and transport, reporting to the President of the Republic before being appointed to his current position in 2007.

Jean-Louis Blanc (French citizen, born February 5, 1949 in Cannes, France), Director of the Group Sales and Marketing Department, is a graduate of the *Institut d'Etudes Politiques de Paris* and the *Ecole Nationale d'Administration* (ENA), and also holds an agronomy engineering degree. He started his career in 1976 as a Civil Administrator at the Ministry of Agriculture, Head of Wine Board. In 1980, he became Representative to the office of the Minister for Foreign Trade and Chief of Staff to the Secretary General for the Government, before being appointed Chairman of the Management Board of Domaine Cordier in 1985. In 1992, he became Chairman of the Management Board of *Compagnie Nationale d'Aménagement de la Région du Bas-Rhône et du Languedoc* and became Chairman of *Société d'Etudes et de Promotion pour l'Aqueduc Languedoc-Roussillon-Catalogne* in 1997. In 1999, he joined Suez as Director of Water Resources, and was appointed Commercial Director for France in 2003.

Claire Brabec-Lagrange (French citizen, born in 1962 in Honfleur, France), Director of Group Purchasing, is a graduate of the *Ecole Centrale de Paris*. In 1997, she was appointed Non Production Purchasing Manager of Group BULL. In 2001, she became Vice-President Procurement at EADS Telecom before being named Vice-President Procurement at EADS DCS in 2009. In 2005, she moved to the THALES Group as Vice-President Purchasing before joining GDF SUEZ as Purchasing Director in 2011.

Alain Chaigneau (French citizen, born September 8, 1951 in Poitiers, France), General Secretary (*Secrétaire Général*), holds a Master degree in Economics from the University of Poitiers and a degree in Company Administration and Management from the *Institut d'Administration des Entreprises*, Paris. Mr. Chaigneau began his career at the Banque de France, before moving to the Treasury Department as Deputy General Secretary of the International Committee for Industrial Restructuring (CIRI). He joined Compagnie de Suez as Vice-President in 1984 and was appointed Director of Planning and Strategy in 1990. In 1995, Mr. Chaigneau became Financial

Director and a Member of the Management Committee of Société Générale de Belgique and was appointed Deputy General Manager — Finance and Administration of Lyonnaise des Eaux in 1999. In 2002, Mr. Chaigneau became Deputy General Manager — Finance and Administration of Suez Environment and in 2005, he was appointed Deputy General Manager of Suez Environment for North and South America. In January 2007, Mr. Chaigneau became Deputy General Manager of Suez and a member of the Executive Committee in charge of Strategy and Development. In May 2011, he was named General Secretary of GDF SUEZ.

Pierre Clavel (French citizen, born July 15, 1956 in Versailles, France), Deputy Director of Global Gas & LNG business in charge of Business Development, is a graduate of the *Ecole Polytechnique* and the *Ecole des Mines de Paris*. He started his career in engineering, gas plant and thermal production project management abroad within the Gaz de France and EDF groups. In 1997, he was appointed Vice President of Gaz de France's Transmission Division. In 1999, he joined EDF GDF Services as Vice President of the Group distribution centers the Auvergne and Limousin regions. In 2002, he was appointed Vice President of the Group's natural gas supplies, and in 2003, Vice President (Designate) of the Purchase and Sale of Energy division of Gaz de France in charge of the Group's natural gas supplies. He was appointed Senior Vice President of the International division in December 2004. In 2008, he became Vice President of the Europe Division of the Energy Europe and International business line. Since January 2012, he has been Deputy Director of Global Gas & LNG, in charge of Business Development.

Phil Cox (UK citizen, born September 22, 1951 in Birmingham, United Kingdom), Chief Executive Officer of International Power PLC, has an MA from the University of Cambridge and is a Fellow of the Institute of Chartered Accountant. He was Senior Vice President at Invensys before becoming Chief Financial Officer of International Power in 2000. In 2003, he was appointed Chief Executive Officer of International Power. He is also a Member of the President's Committee of the CBI and serves as a Non-Executive Director and Chairman of the Audit Committee of Wm Morrison Supermarkets PL.

Henri Ducré (French citizen, born April 14, 1956 in Alençon, France), Executive Vice-President in charge of Energy France, is a graduate of the *Ecole Nationale Supérieure des Arts et Métiers*. In 1979, he joined the Distribution Division of EDF and Gaz de France and held various responsibilities within EDF GDF Services, the joint distribution division for the two companies, notably as Director of the Pyrénées Gascogne Center and Director of the Group Mediterranean Centers. In 2001, he became General Manager of Edenor (an EDF subsidiary in Argentina). In 2002, he was appointed Director of Distribution and Sales of EDF's Americas Division before being named Director of EDF Gaz de France Distribution in 2004. In 2007, he was appointed Vice-President of the Gaz de France Energy France Branch.

Véronique Durand-Charlot (French citizen, born July 11, 1957 in Paris, France) Director of Information Systems, is a graduate of the Ecole *Polytechnique* and *Supélec*. In 1980, she joined EDF where she held various management positions in the Distribution sector. In 1995, she became Head of EDF's Distribution Centre at Asnières, before being named Quality Management representative at EDF GDF Services in 1999. In 2002, she joined the Gaz de France Group and was appointed Director of Information Systems in 2004. In 2008, she was appointed to her current position of Information Systems Director of GDF SUEZ.

Marc Florette (French citizen, born September 1, 1953 in Cahors, France), Director of Research and Innovation, is a graduate of the *Ecole Polytechnique*, and holds a Master of Science in Physics Engineering from the University of California and a degree from the *Hautes Etudes Commerciales* (HEC). In 1979, he joined the Research Department of Gaz de France, then the Distribution Department of EDF and Gaz de France. From 1990 to 1995, he was Deputy Director, EDF GDF Services Grand Toulouse, prior to becoming Director EDF GDF Services Seine-et-Marne in 1995. In 1999, he was named Deputy Director, Research Division, Gaz de France. In 2000, he became Chair of the Cogeneration division within the service business line of Gaz de France and Chair of the CCGT construction project. In 2003, he was appointed Senior Vice-President, Research Division, Gaz de France, and then Senior Vice-President, Research & Innovation Division, GDF SUEZ.

Yves de Gaulle (French citizen, born September 1, 1951 in Rabat, Morrocco), Special Advisor to the Chairman and Chief Executive Officer in charge of Renewable Energy Policy, holds a degree in Economics and is a graduate of the *Institut d'Etudes Politiques de Paris* and the *Ecole Nationale d'Administration* (ENA). He joined Suez in April 2004 in the role of Joint General Secretary before becoming General Secretary on July 1, 2004. Since November 1, 2005, he has been a member of the Executive Committee. In 1977, Mr. de Gaulle began his career at the Ministry of Finances, notably at the French Treasury Department where he was bureau chief for monetary policy and credit. He was then Technical Advisor (1986) to the Minister in charge of privatization and the General Secretary of the Privatization Commission (1986-1989). In 1989 he became a Partner of the law firm KPMG/Fidal, then a Partner of the law firm Jeantet (1991-1992). He joined the AGF/Allianz Group in 1992, and was Chief Executive Officer of a subsidiary of the Group in Spain (1993-1996), Joint Chief Executive Officer in charge of the international department and member of the Executive Committee (1997-1998) and Chief Executive Officer of the EULER Group (1999-2001). In 2004, he was appointed Magistrate at the Government Accounting Office, in the same year as he joined the Suez Group as Assistant General Counsel. From 2004 to 2011, he served as General Secretary and General Counsel of GDF SUEZ. Since May 2011, he has served as Technical Adviser of the President for Renewable Energy Policy. In November, 2011, he was named President of the Executive Board of *Société Hydro Électrique du Midi.*

Jean-Pierre Hansen (Luxembourg citizen, born April 25, 1948 in Athus, Belgium Luxembourg Province), Chairman of the Energy Policy Committee, is a graduate in Civil Electromechanical Engineering from the University of Liège and has a degree in Economics from Paris II and a PhD in Engineering from Paris VI. A former Chairman of the Board of Directors of Electrabel, he was appointed Chief Executive Officer of Electrabel in January 2005, a function that he previously exercised from 1992 to March 1999. He is also Vice-Chairman of Electrabel and Chairman of its Strategic and General Management Committees. Since 1999, he held the positions of Chief Executive Officer of Tractebel as well as Director and Member of the Executive Committee of Société Générale de Belgique; he served in those capacities until the two companies merged on October 31, 2003, whereupon he became Chief Executive Officer of the new entity SUEZ-TRACTEBEL until 2008. He was appointed Chief Operating Officer of Suez in January 2003 and Officer in charge of SUEZ Energy Europe. Prior to the merger, he was Executive Vice-Chairman of the Suez Executive Committee.

Philippe Jeunet (French citizen, born May 25, 1953 in Dijon, France), Advisor to the Chairman and Chief Executive Officer, served as Chief Financial Officer of Gaz de France from May 2000 to April 2007. Philippe Jeunet graduated from the *Institut d'Etudes Politiques de Paris* and holds a Master's degree in law. Before joining Gaz de France, Philippe Jeunet pursued the greater part of his career in the *Crédit d'Equipement des Petites et Moyennes Entreprises* (CEPME) Group where he held different positions of authority in the area of corporate finance for companies specializing in the manufacturing and tourist industries. He managed two venture capital firms, Avenir Tourisme and Promotour Investissement. From 1984 to 1986, he was recording secretary (*rapporteur*) on the French government's Interdepartmental Committee on Industrial Restructuring and in the French Treasury Department's Industrial Financing Office. Philippe Jeunet joined Gaz de France in 1991 as Assistant Manager of the Financial and Legal Affairs Division responsible for Subsidiaries & Equity Interests. He then held different positions of responsibility in the Group as Manager of Supplies and Gas Projects (1995-1998) and as Director of International Development until 2000.

Christelle Martin (French citizen, born May 24, 1960 in Malakoff, France) Director of Human Resources, is a graduate of Université Paris-Dauphine. In 1983, she started her career as an external auditor at PricewaterhouseCoopers and in 1988, she joined Lyonnaise des Eaux where, until 2002, she held various positions in the areas of management control and accounting within Lyonnaise des Eaux and then Suez. In 2002, she became Director in charge of Central Planning, Control and Accounts at Suez, then GDF Suez. From 2009 to 2011, she was Executive Vice President Finance, Human Resources, Legal and Communication at GDF SUEZ Energy Europe.

Didier Rétali (French) citizen, born March 17, 1957 in Paris, France), in charge of the Audit and Risk Management Division, is a graduate of the Ecole Polytechnique. In 1989, he joined the Lyonnaise des Eaux Group and in 1991, he was appointed Chief Executive Officer of Société des Eaux de Macao. In 1993, he became director of Lyonnaise des Eaux with responsibility for Hong Kong, Macao and China, a position he held until his appointment as Director of Projects for Lyonnaise des Eaux which was later renamed Suez Lyonnaise des Eaux, of which he became Chief Financial Officer in 1999. In 2000, he served as Director of Planning, Control and Accounts of Suez and was appointed to the Executive Board of Suez within the Energy Services Business Line in 2002. In 2010, he became Technical Advisor to the GDF SUEZ Chairman and Chief Executive Officer.

Paul Rorive (Belgian citizen, born July 15, 1953 in Ixelles, Belgium), Director of Nuclear Development, has a degree in civil engineering (mechanical and electrical) from the Université Libre of Brussels and is also a graduate of the CEDEP (Fontainebleau). In 1978, he joined Intercom (one of the three companies from which Electrabel was created) and held various posts in the traditional thermal power plants of Ruien and Marchienne-au-Pont. In 1983, he joined the Nuclear Power Plant of Thilange, where he held a number of operational posts and was appointed Director of the plant in 1997. In 2002, he was appointed Chief Executive Officer of Tractebel Engineering. In 2006, he joined Suez Corporate to create the Nuclear Activities Department. Certain other directorships and positions held include Director of GDF SUEZ Energy Services, LABORELLEC, SYNATOM, Belgian Nuclear Forum, BELGONUCLEAIRE and Foratom, Executive Director of the Nuclear New Build Development Company and President of the Tihange 1 Participation Association.

Philippe Saimpert (French citizen, born December 19, 1953 in Oran, Algeria), Special Advisor to the Chairman and Chief Executive Officer, is a graduate of the *Ecole des Hautes Etudes Commerciales* (HEC). In 1978, he joined EDF GDF and held various positions in the Distribution Department. In 1989, he was appointed Director of Labor Relations and Social Affairs in the Personnel and Social Relations Department and from 1994 to 1999, he directed the EDF GDF Services Distribution Center at Pantin. In 1999, he was appointed Deputy Director of the Personnel and Social Relations Department, before becoming Director of Human Resources of Gaz de France in 2002. In April 2004, he became Executive Vice President of EDF GDF Services and in December 2004, he was appointed Executive Vice President of Human Resources for Gaz de France.

Denis Simonneau (French citizen, born April 8, 1963 in Versailles, Simonneau) Director of European and International Relations, is a graduate of the *Institut d'Etudes Politiques de Paris* and the *Ecole Nationale d'Administration* (ENA). From 1996 to 1997, he was adviser to the Minister of European Affairs Michel Barnier. Between 1997 and 2001, he was Counselor at the French Permanent Representation to the European Union in Brussels. In 2001, he became Consul General and Head of the French Trade Economic Mission in Houston, Texas (USA) and in 2005, he was appointed Deputy spokesperson for the Department of Foreign Affairs of the French Government. In 2007, he was named Chief of Staff of the Minister for European Affairs of Pierre Jouyet. He joined GDF SUEZ in 2009 as Diplomatic Adviser. Certain other directorships and positions held include Vice President of Europanova.

Emmanuel van Innis (Belgian citizen, born August 20, 1947 in Etterbeek, Belgique), Special Advisor to the Chairman and Chief Executive Officer, has a doctorate in Law from the Université Catholique de Louvain (Belgium). He began his career in Human Resources at Intercom in 1971. In 1990, he joined the Electrabel Group, where he held various positions as Director of Human Resources, Executive Vice President, then Director and Member of the Executive Committee. In 1996, he became a member of Tractebel's General Management Committee with responsibility for corporate administration, finance and control. In 1997, he became a Director of Tractebel and in 2001, he became a Director of Société Générale de Belgique, where he served in such capacities until the companies merged on October 31, 2003, whereupon he became Director of the new entity, SUEZ-TRACTEBEL. In March 2003, he was appointed Executive Vice-President of Suez, in charge of Group Human Resources and member of the Executive Committee. He has been serving in his current position since July 2011.

Board of Directors

Composition

The Board of Directors is currently composed of 19 members[43], including 8 members who qualify as independent directors.

The Board of Directors is comprised of:

- 10 Directors appointed by the annual General Shareholders' Meeting,
- 5 Directors representing the State, appointed by order of the French State,

[43] The Board of Directors, at its September 19, 2012 meeting, has acknowledged the resignation of René Carron, independent Director, and Bruno Bézard, Director representing the French State. The Board has coopted Mrs. Ann-Kristin Achleitner, Independent Director, German citizen, and Scientific Director of the Center for Entrepreneurial and Financial Studies, Technische Universität of Munich (TUM). The number of Directors is therefore temporarily reduced to 18 until the French State appoints another representative.

- 4 Directors, including 3 Directors representing employees and one representing employee shareholders, elected pursuant to article 8-1 of the French Privatization Act No. 86-912 of August 6, 1986.

Also with seats on the Board:

- 1 non-voting Director (Censeur), elected by the General Shareholders' Meeting, with an advisory vote,
- 1 French Government commissioner, who serves in an advisory capacity and presents, where appropriate, his or her observations to all Shareholders' Meetings,
- the Executive Vice-President, Chief Financial Officer,
- the General Secretary and the Secretary of the Board of Directors,
- a representative of the Central Works Council, in accordance with French Law, without having a vote and without representation in the event of absence.

Based on the findings of the Nominations Committee's report, and taking into account the AFEP-MEDEF recommendations as well as interpretations made by various international governance organizations, the Board concluded that 8 of the 19 Directors serving on the Board qualify as independent under the Board's criteria and 11 do not. It noted that the five Directors representing the French State and the four Directors representing employee shareholders and employees may not be considered independent and, moreover, that a non-independent Director's office is held by Jean-François Cirelli, the former Chairman and CEO of Gaz de France, under the terms of the Gaz de France-Suez merger agreement, published in the merger prospectus approved by the *Autorité des Marchés Financiers* (the French financial markets authority - AMF) on June 13, 2008 under no. 08–126. The resulting percentage of independent Directors is 42.1%, it being noted that the percentage of 50% recommended by the AFEP-MEDEF Code for widely-held corporations without controlling shareholders cannot be reached for the reasons mentioned above.

Four of the 19 Directors are women. The Law 2011-103 of January 27, 2011 and the AFEP-MEDEF Code on Corporate Governance have established a principle of balanced representation of women and men on company boards. In order to determine the proportion of men and women on any Board of Directors, the law and the Code state that the Directors representing employees, who are not elected by the General Assembly, are not taken into account. Therefore, in the case of the Board of Directors of GDF SUEZ which comprises three Directors representing employees, the assessment is made on a basis of 16 directors, 4 of whom are women (25%).

Date of appointment

	Date of first appointment	Date of last appointment	Address
DIRECTORS APPOINTED BY THE GENERAL SHAREHOLDERS' MEETING			
Gérard Mestrallet *Chairman and Chief Executive Officer*	07/16/2008	04/23/2012	GDF SUEZ 1, place Samuel de Champlain 92400 Courbevoie
Jean-François Cirelli *Vice-Chairman and President*	09/15/2004	04/23/2012	GDF SUEZ 1, place Samuel de Champlain 92400 Courbevoie
Albert Frère(1) *Vice-Chairman*	07/16/2008	05/02/2011	Groupe Bruxelles Lambert 24, avenue Marnix B-1000 Brussels
Edmond Alphandéry(1)	07/16/2008	05/02/2011	CNP Assurances 4, place Raoul Dautry 75015 Paris

	Date of first appointment	Date of last appointment	Address
Jean-Louis Beffa[1]	11/20/2004	04/23/2012	Saint-Gobain Les Miroirs 18, avenue d'Alsace 92096 La Défense Cedex
Aldo Cardoso[1]	11/20/2004	05/02/2011	45, boulevard de Beauséjour 75016 Paris
Ann-Kristin Achleitner[1]		09/19/2012	Technische Universität Munchen (TUM) Arcisstr. 21, 80333 Munich, Germany
Paul Desmarais Jr.[1]	07/16/2008	04/23/2012	Power Corporation du Canada 751 square Victoria Montréal, H2Y 2J3, Québec
Françoise Malrieu[1]	05/02/2011		19, avenue Léopold II 75016 Paris
Lord Simon of Highbury[1]	07/16/2008	04/23/2012	1 St James Square London SW1Y 4PD UK
DIRECTORS REPRESENTING THE FRENCH STATE			
Olivier Bourges	10/05/2009	04/19/2012	Department of Finance and Industry France Agency for State Holdings 139, rue de Bercy 75572 Paris Cedex 12
Ramon Fernandez	03/27/2009	04/19/2012	Department of Finance and Industry Directorate General for the Treasury and Economic Policy 139, rue de Bercy télédoc 230 75572 Paris Cedex 12
Pierre Mongin	11/09/2009	04/19/2012	RATP 54 quai de la Rapée 75599 Paris Cedex 12
Stéphane Pallez	04/23/2012		Caisse Centrale de Réassurance 31, rue de Courcelles 75008 Paris
DIRECTORS REPRESENTING EMPLOYEES			
Alain Beullier	01/21/2009		Elengy 8, quai Emile Cormerais BP 90347 44816 Saint-Herblain Cedex
Anne-Marie Mourer	01/21/2009		GrDF Sud-Est Immeuble VIP 66, rue de la Villette 69425 Lyon Cedex 03
Patrick Petitjean	01/21/2009		GDF SUEZ 1 Place Samuel de Champlain 92400 Courbevoie
DIRECTORS REPRESENTING EMPLOYEE SHAREHOLDERS			
Gabrielle Prunet	05/04/2009		Lyonnaise des Eaux Pays Basque 15, avenue Charles Floquet BP 87 64202 Biarritz Cedex

(1) Independent Director.

Term of Office

The term of office of all of the directors shall be four (4) years. The term of office of directors appointed by the General Shareholders' Meeting expires at the close of the General Shareholders' Meeting called to approve the previous year's financial statements and held in the year in which the terms of office expires. The term of office of directors elected by the employees shall come to an end upon declaration of the results of the elections for the renewal or replacement of exiting employee directors in accordance with the bylaws.

Director / Term of office	2013 General Shareholders' Meeting to Approve the Financial Statements for 2012	2014 General Shareholders' Meeting to Approve the Financial Statements for 2013	2015 General Shareholders' Meeting to Approve the Financial Statements for 2014	2016 General Shareholders' Meeting to Approve the Financial Statements for 2015
Directors appointed by the General Shareholders' Meeting......................			Albert Frère Edmond Alphandéry Aldo Cardoso Ann-Kristin Achleitner Françoise Malrieu	Gérard Mestrallet Jean-François Cirelli Jean-Louis Beffa Paul Desmarais Jr. Lord Simon of Highbury
Directors representing the French State......................................				Olivier Bourges Ramon Fernandez Pierre Mongin Stéphane Pallez
Directors representing employees..........		Alain Beullier Anne-Marie Mourer Patrick Petitjean		
Directors representing employee shareholders......................................	Gabrielle Prunet			

Directors are compensated from a lump sum determined by the General Shareholders' Meeting. The attendance fees are allocated by the board of directors on the recommendation of the Compensation Committee.

To GDF SUEZ's knowledge, there are no potential conflicts of interest between the Directors' duties with regard to GDF SUEZ and their private interests and/or other duties.

There are no family ties between the Directors and GDF SUEZ's other main senior managers.

To GDF SUEZ's knowledge, during the past five years, none of the Directors or senior managers of GDF SUEZ has been convicted of fraud, served as manager or Director in a bankruptcy, receivership or liquidation situation, been subject to indictment and/or official public sanction issued by a statutory or regulatory authority or been prevented by a court from serving as a member of the management body or supervisory board of an issuer, nor from participating in the management or oversight of the business of an issuer.

In addition to the provisions of the French commercial Code which govern regulated agreements, the Directors' Charter provides that each Director must make every effort to avoid any conflict that may exist between his/ her moral and material interests and those of the Company, must inform the Board of any conflict of interest in which he/she may be directly or indirectly involved and, where he/she cannot avoid the conflict of interest, must abstain from participating in discussions and voting on any decision concerning such matters.

Furthermore, no loans or guarantees have been granted to, or on behalf of, members of the Company's boards or management.

Biographical information of the Directors

Directors appointed by the General Shareholders' Meeting

Gérard Mestrallet. See "—Biographical Information of the Members of the Executive Committee" above.

Jean-François Cirelli. See "—Biographical Information of the Members of the Executive Committee" above.

Albert Frère (Belgian citizen, born February 4, 1926 in Fontaine-l'Evêque, Belgium), took an active role in his family's company before focusing on a career in industry. With his partners, he acquired control of all steel companies in the Charleroi basin, diversifying production while simultaneously upgrading their facilities. In 1981, in association with a group of businessmen, he founded Pargesa Holding in Geneva. The following year, the company acquired an interest in Groupe Bruxelles Lambert SA (GBL), in Brussels. With the creation of the Pargesa-GBL investment empire, its operations became international and it diversified into three key areas: finance, energy/services and communications (broadcasting). A former Vice-Chairman and Director of SUEZ, Albert Frère was appointed Director of GDF SUEZ on July 16, 2008 and Vice-Chairman on December 17, 2008. Certain other directorships and positions held in 2011: Honorary Regent of the National Bank of Belgium, Chairman of the Board of Directors and CEO of Groupe Bruxelles Lambert (Belgium), Chairman of the Board of Directors of ERBE, Frère-Bourgeois, Financière de la Sambre (Belgium), Stichting Administratiekantoor Frère-Bourgeois (the Netherlands), Vice-Chairman, Executive Director and member of the Management Committee of Pargesa Holding S.A. (Switzerland), Chairman of the Supervisory Board of Métropole Télévision M6 (France), Honorary Chairman of the Chamber of Commerce and Industry of Charleroi (Belgium), Director of LVMH, Château Cheval Blanc (France) and *Les amis des aveugles de Ghlin* (Belgium), Permanent representative of Frères Bourgeois, Director of GBL Verwaltung SARL and GBL Energy (Luxembourg), Permanent representative of Beholding Belgium SA on the Board of Directors of Groupe Arnault, Member of the Strategy Planning Board of the Committee of the Université Libre de Bruxelles (Belgium) and Honorary International Trade Advisor (Belgium).

Ann-Kristin Achleitner (German Citizen, born March 16, 1966 in Düsseldorf, Germany) Prof. Dr. Ann-Kristin Achleitner has been Scientific Director of Center for Entrepreneurial and Financial Studies (CEFS) at the Technical University Munich since 2003 and Visiting Professor of Entrepreneurial Finance at the University of St. Gallen since 2009. Prof. Dr. Achleitner has been Adjunct Professor of Business Administration at the University of St. Gallen since 1994. She has been holder of the KfW Endowed Chair for Entrepreneurial Finance at the Technical University since 2001. She served as Founding-Partner at GermanCapital GmbH (also known as GermanIncubator). She was a Lecturer in Finance & External Auditing at the University of St. Gallen from 1992 to 1994. She served as Consultant of MS Management Service AG, St. Gallen, Switzerland from 1991 to 1992. She was Business Consultant at McKinsey Germany from 1994 to 1995. She serves as Chairman of the Advisory Board of Ashoka Germany. She serves as member of Bank Vontobel AG, Zurich, Switzerland. Prof. Dr. Achleitner serves as a Director of Vontobel Holding AG. She has been a Member of the Supervisory Board of The Linde Group since May 12, 2011 and METRO AG since May 06, 2011. She serves as a Member of the Board of Directors of SpineWelding AG (formerly WW Technology AG). She served as Director of GermanCapital GmbH. She is the holder of the DtA chair in Entrepreneurial Finance at Technische Universität Munich. She served as a Member of the Supervisory Board at Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG. Prof. Dr. Achleitner was an holder of the Endowed Chair and Chairman of the Board of the Institute for Financial Management at the EBS European Business School, Germany from 1995 to 2001 She is Vice Chairman of the "Research and Innovation" Commission of Experts (EFI) of the German Federal Government; member of the Senate of Fraunhofer Gesellschaft (FhG); Member of the Alumni HSG Advisory Committee of the University of St. Gallen; member of the Board of Trustees of the Johannes B. Ortner Foundation; member of the "FLÜGGE" Commission of Experts of the Bavarian State Ministry of Science, Research and the Arts. Prof. Dr. Achleitner is the Member of the Advisory Council on mid-sized enterprises at the Federal Ministry of Economics and Labour, Member of the Expert Advisory Council at the Federal Financial Services Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" - BaFin). She studied in University of St Gallen (HSG) Switzerland. She earned a Postdoctoral thesis ("Die Normierung der Rechnungslegung" Establishing national and international Accounting Standards]) in 1994, in 1992 she earned a Doctorate in Law , and in 1991 Doctorate in Business Administration, in 1990 Degree in Law (lic. iur. HSG) and in 1988 Degree in Business Administration (lic. oec. HSG).

Edmond Alphandéry (French citizen, born September 2, 1943 in Avignon, France) is a graduate of the *Institut d'Etudes Politiques de Paris* and a qualified lecturer (*agrégé*) in economics. He is Professor Emeritus at the University of Paris II. He served as Mayor of Longué-Jumelles and member of Maine-et-Loire departmental council until 2008. He was French Minister of the Economy from March 1993 to May 1995. He chaired the Supervisory Board of CNP from 1988 to 1993 and was Chairman of Electricité de France from 1995 to 1998. From 1998 through 2012, he again served as Chairman of CNP Assurances. He has also been a Director of Calyon and subsequently Crédit Agricole CIB since 2002 and of Neovacs since 2011. Since June 2003, he also served as Chairman of the *Centre National des Professions Financières* (Regional Center for the Financial Professions). A former Director of Suez and Icade, Edmond Alphandéry was appointed Director of GDF SUEZ on July 16, 2008 and Chairman of the Ethics, Environment and Sustainable Development Committee on July 22, 2008. He was appointed to the Audit Committee on July 8, 2009. Certain other directorships and positions held in 2011: Chairman of the Board of Directors of CNP Assurances, Chairman of CNP International, Director of Crédit Agricole CIB (formerly Calyon), Neovacs (France), Caixa Seguros (Brazil) and CNP Vita (Italy), Chairman of the *Centre National des Professions Financières* (France) and Member of the Nomura Securities (Great Britain) European Advisory Panel.

Jean-Louis Beffa (French citizen, born August 11, 1941 in Nice, France) is a graduate of the *Ecole Polytechnique*. He also holds degrees from the *École Nationale Supérieure du Pétrole* and the *Institut d'Études Politiques de Paris*. He began his career in the Fuels Division of the French Ministry of Industry. In 1974, he joined Compagnie de Saint-Gobain as Vice-President of the Plan until 1977. From 1978 to 1982, he served as Chief Executive Officer and then Chairman and CEO of Pont-à-Mousson SA. He also served concurrently as President of Pipe and Mechanics Division of Saint-Gobain from 1979 to 1982. Mr. Beffa served as Chairman and Chief Executive Officer of Saint Gobain from January 1986 to June 2007, after having served as the group's Executive Director from 1982 to 1986. From June 2007 to June 2010, Jean-Louis Beffa served as the Chairman of the Board of Directors of Compagnie de Saint-Gobain, before becoming its honorary chairman. A former Director of Gaz de France, Jean-Louis Beffa was appointed Director of GDF SUEZ on July 16, 2008 and well as Chairman of the Nominations Committee and member of the Compensation Committee of GDF SUEZ on July 22, 2008. Certain other directorships and positions held in 2011: Chairman of Claude Bernard Participations and of JL2B Conseil, Joint Chairman of the *Centre Cournot pour la recherche en économie*, Vice-Chairman of the Supervisory Board of the *Fonds de Réserve des Retraites* (pension fund), Director of Saint-Gobain (France), Groupe Bruxelles Lambert (Belgium), Saint-Gobain Corporation (USA) Member of the Supervisory Board of Le Monde, Société Editrice du Monde, Le Monde & Partenaires Associés SAS (France) and Siemens AG (Germany), Senior Advisor of Lazard Frères (France) and Chairman of Asia Investment Banking of Lazard.

Aldo Cardoso (French citizen, born March 7, 1956 in Tunis, Tunisia), is a graduate of the *Ecole Supérieure de Commerce de Paris*, holds a Master's Degree in Business Law and is a Certified Public Accountant. From 1979 to 2003, he held several successive positions at Arthur Andersen, including Consultant, Partner (1989), President France (1994), member of the Board of Andersen Worldwide (1998), Chairman of the Board of Directors (non-executive) of Andersen Worldwide (2000) and Chief Executive Officer of Andersen Worldwide (2002-2003). Since 2003, he has served as Director of French and foreign companies. A former Director of Gaz de France, Aldo Cardoso was appointed Director of GDF SUEZ on July 16, 2008 and Chairman of the Audit Committee on July 22, 2008. Certain other directorships and positions held in 2011: Director of Bureau Veritas, Imerys, GE Corporate Finance Bank SAS (France), Mobistar (Belgium) and Non-voting Director of AXA Investment Managers (France).

Paul Desmarais, Jr. (Canadian citizen, born July 3, 1954 in Sudbury, Canada) studied at McGill University in Montreal and then at INSEAD in Fontainebleau, France. He holds a Master's Degree in Administration. In 1984, he was appointed Vice-Chairman of Power Financial Corporation, a company he helped to create. He became Chairman of the Corporation's Board in 1990, Chairman of the Executive Committee in May 2005 and Co-Chairman of the Board in May 2008. He was appointed Chairman of the Board and Co-Chief Executive Officer of Power Corporation of Canada in 1996. A former Director of Suez, Paul Desmarais Jr. was appointed Director of GDF SUEZ on July 16, 2008 and member of the Nominations Committee and of the Compensation Committee on July 22, 2008. Certain other directorships and positions held in 2011: Chairman and Co-Chief Executive Officer of Power Corporation of Canada, Co-Chairman of Power Financial Corporation (Canada),Vice-Chairman of the Board of Directors and Executive Director of Pargesa Holding S.A. (Switzerland), Director and member of the Management Committee of Great-West Lifeco Inc. and its principal subsidiaries, and of IGM Financial Inc. (Canada) and its principal subsidiaries, Director and member of the Permanent Committee of Groupe Bruxelles Lambert (Belgium), Director of Lafarge and Total (France), Member of the International Board and the Board of Directors of INSEAD, Chairman of the International Advisory Board of HEC (Canada) and Chairman of the Advisory Committee of Sagard Private Equity Partners (France).

Françoise Malrieu (French citizen, born February 7, 1946 in Savigny-sur-Orge, France) is a graduate of the HEC School of Management. She began her career in 1968 at BNP. In 1979, she became Assistant to the Director of the Financial Analysis Department, before becoming Director of this department in 1983. In 1987, she joined Lazard Frères et Cie as Director of Financial Affairs, before being appointed Manager in 1993, and then Managing Partner. In 2001, she joined Deutsche Bank France as Managing Director. In 2004, she was appointed Chief Executive Officer of Société Financière de Grenelle. From 2006 to 2009, she was Senior Advisor at Aforge Finance, an independent consultancy active in mergers, acquisitions and restructuring. At the end of 2008, she helped to create the *Société de Financement de l'Economie Française*, where she is currently Chairman of the Board of Directors and of the Audit Committee. She also had performs a variety of roles in the non-profit sector and is notably a Director of Ares and Chairman of Arescoop. Françoise Malrieu was appointed a Director of GDF SUEZ on May 2, 2011. Certain other directorships and positions held include Deputy Controller on the Taskforce to Control the Compensation of Financial Market Professionals and Director of La Poste and Aéroports de Paris.

Lord Simon of Highbury (British citizen, born July 24, 1939 in London, Great Britain) has an MA from Cambridge and an MBA from INSEAD in Fontainebleau (France). In 1961, he joined British Petroleum, where he held a number of management positions before being appointed Chairman in 1995. After holding several ministerial positions from May 1997, he became advisor to the British Prime Minister for government modernization. He was also appointed Advisor to President Prodi for institutional reform within the European Union. Lord Simon entered the House of Lords in 1997. A former Director of Suez, Lord Simon of Highbury was appointed Director of GDF SUEZ on July 16, 2008 and Chairman of the Compensation Committee on July 22, 2008. Certain other directorships and positions include Senior Advisor of Morgan Stanley International (Europe) and MWM Board Consultants (United Kingdom), Chairman of the Advisory Board of Montrose Associates Limited (UK), Director of Institute of Government (UK), Member of the Board of Directors of the Centre for European Policy Studies (Belgium), Member of the Advisory Board of Dana Gas International (UAE) and Centre for European Reform (UK), Trustee and Chair of the Policy Board, Institute for Strategic Dialogue (UK) and Trustee of the Hertie Foundation (Germany).

Directors representing the French State

Olivier Bourges (French citizen, born December 24, 1966 in Auxerre, France), a graduate of the *Institut d'Études Politiques de Paris* and the *École Nationale d'Administration*, was Head of the National Banking Agency at the French Treasury from 1992 to 1996, thereafter serving until June 1998 as the French government's representative on the Boards of Directors of the World Bank, IDA, IFC and MIGA. From July 1998 to April 2000, he was Head of the Housing Finance Agency at the French Treasury. From 2000 to 2002, he served as Director of Financial Relations for Renault and as the company's Director of Vehicle Profitability from 2003 to 2005. From 2006 to 2007, he was Vice President, Corporate Planning and Program Management Office for Nissan North America in Nashville (USA). From 2008 to September 2009, he served as Senior Vice President, Director of Group Management Control at Renault. Since September 2009, he has been Deputy CEO of the French State Shareholding Agency (APE). Olivier Bourges was appointed Director representing the French State by Ministerial Order on October 5, 2009, member of the GDF SUEZ Audit Committee and of the Strategy and Investments Committee on November 10, 2009 and member of the Compensation Committee on December 9, 2009. Certain other directorships and positions include Director of Dexia, Thales, La Poste and Grand Port Maritime de Marseille.

Ramon Fernandez (French citizen, born June 25, 1967 in Paris, France), a graduate of the *Institut d'Études Politiques de Paris* and the *École Nationale d'Administration*, is a senior civil servant. From 1993 to 1994, he served as Assistant to the Head of Energy, Transportation and Urban Planning, and then, until 1997, as Assistant to the Head of Financial Markets at the French Treasury. Seconded to Washington from 1997 to 1999, he was an Alternative Executive Director of the International Monetary Fund. He returned to the Treasury Department and was Head of the Energy, Telecommunications and Raw Materials office there until 2001, before becoming Head of the Savings and Financial Markets office. From May 2002 until October 2003, he was Technical Advisor to the Minister of Finance and Industry. He then served as Deputy Director of International Financial Affairs, Development and Economic Policy at the Treasury Department until June 2007. From June 2007 to April 2008, he was Technical Advisor to the French President, then Chief of Staff to the Minister of Labor, Corporate Relations, Family and Solidarity until January 2009. He served as Head of the Economic Finance Department between February and March 2009, and has served as Executive Director of the French Treasury at the Department of Finance and Industry since March 2009. Ramon Fernandez was appointed Director representing the French State by Ministerial Order of March 27, 2009 and member of the Nominations Committee on May 4, 2009. Certain other directorships and positions include Chairman of the Advisory Committee on Legislation and Financial Regulation, Chairman of the *Agence France Trésor* and the *Club de Paris*, Governor for France of the African Development Group Bank, Deputy Governor for France of the World Bank, the European Bank for Reconstruction and Development and the International Bank for Reconstruction and Development, Director of the *Agence de coopération technique internationale* and of *Société de financement de l'économie française*, Director, as representative of the French State, of CNP Assurances, CADES (*Caisse d'Amortissement de la dette sociale*), Governor Commissioner with the AMF, Member of the Supervisory Board of *Caisse des Dépôts et Consignations*, Member of the High Council for the Future of Medical Insurance, Member of the Council for Economic Analysis and Member of the High Council for the Public Sector.

Pierre Mongin (French citizen, born August 9, 1954 in Marseille, France), Chairman and Chief Executive Officer of RATP (Paris Transport Authority) since July 12, 2006, has devoted much of his career to prefectural administration and ministerial offices. After obtaining a Master's degree in Economics from the *Université de Paris I* and a degree from the *Institut d'Etudes Politiques* in Paris, he went on to the prestigious *École Nationale de l'Administration*, graduating in 1980. From 1980 to 1984, he served three terms as Assistant Prefect in the territorial departments of Ain, Ariège and Yvelines. In 1984, he joined the Ministry of the Interior as a Technical Advisor to the National Police Force. In 1986, he was appointed Advisor to the Minister of the Interior for Local Authorities and Chief of Staff to the Deputy Minister for Local Authorities. He spent the next five years with the *Préfecture de Police* (Police Headquarters) in Paris, in charge of administrative and financial affairs and relations with the Council of Paris. In 1993, he became Chief of Staff to Prime Minister Edouard Balladur and Advisor to the French Overseas Departments and Territories. He was appointed Prefect in 1993. He subsequently served in two territorial departments: l'Eure-et-Loir and Vaucluse from 1995 to 1999. He served as Prefect *(Préfet)* of the Auvergne and Prefect of Puy de Dôme regions from 2002 to 2004. He was appointed Chief of Staff to the Minister of the Interior in 2004, then Chief of Staff to Prime Minister Dominique de Villepin in 2005. He left the French government to go back to RATP in July 2006. He was appointed as a Director representing the French State by Ministerial Order of November 9, 2009. Certain other directorships and positions include Chairman and Chief Executive Officer of RATP, Chairman of the Board of the international engineering company SYSTRA, Chairman of the Supervisory Board of RATP Dev, Financial Vice-Chairman of FACE *(Fondation Agir Contre l'Exclusion)* and Member of the Steering Committee of Domaine de Chambord.

Stéphane Pallez (French citizen, born August 23, 1959 in Paris, France), graduated from Paris Institute of Political Studies (IEP) and the French National School of Administration (ENA), was appointed to the position of Chairman and CEO of CCR (Caisse Centrale de Réassurance) in July 2011. She began her career in the French Treasury in 1984, where she held various positions. She was technical advisor to the personal staff of Pierre Beregovoy, Minister of State for the Economy, Finance and the Budget, and then to the personal staff of Michel Sapin at the Ministry of the Economy and Finance. From 1995 to 1998 she held the position of Assistant Director in charge of Insurance Regulation and, in this capacity, was a CCR Board Member for two years. In 2004 Stéphane Pallez joined France Télécom as Deputy Executive Director in charge of Financial Balance and Value Creation, and then Deputy Chief Financial Officer from 2005 onwards.

Directors representing employees

Alain Beullier (French citizen, born March 26, 1964 in Laval, France) joined EDF-GDF in 1984, holding various positions in the customer service and sales advisory departments in several EDF-GDF service centers in the Paris region. He is currently an employee of Elengy, responsible for monitoring environmental regulations. Alain Beullier was named Director representing the "other employees" category by employee vote on December 18, 2008.

Anne-Marie Mourer (French citizen, born April 20, 1959 in Clermont-Ferrand, France), with a Master's degree in Economic Sciences and a postgraduate degree in Marketing, joined EDF-GDF Services in 1982, where she held a series of management positions within the sales departments of the Grand Velay, Indre-en-Berry and Loire centers. In 1992, she joined the commercial support and assistance group in Lyon to conduct appraisal activities as an in-house marketing consultant. From 1996 to 2001, she headed up Direct Energy, a direct marketing pilot unit within the Gas Sales Department. In the Gaz de France Sales Department, she was responsible for directing the marketing entity for the Southeast Region from 2002 to late 2003. In early 2004, she joined the new *Gestionnaire de Reseaux Gaz* (gas network management), where she handled support and management duties for the Development department in the Rhône-Alpes-Bourgogne region. In 2007, she was appointed program manager to assist with the switchover and provide commercial expertise within GrDF, a wholly owned subsidiary for natural gas distribution within France, in anticipation of the transition to a free market system for individual customers. In 2011, she obtained the Company Director certificate issued by the *Institut Français des Administrateurs* (French Institute of Corporate Directors) in partnership with the *Institute d'Etudes Politiques*. Anne-Marie Mourer was elected Director representing employees in the "Engineers, Executives and Equivalent" category by employee vote on January 20, 2009 and appointed as member of the GDF SUEZ Ethics, Environment and Sustainable Development Committee on July 8, 2009.

Patrick Petitjean (French citizen, born August 23, 1952 in Saint-Dizier, France), after completing his secondary education in Nancy (France), began his career in the printing industry. He joined Gaz de France in 1997, working for the Transportation Division of GGRP (*Groupe Gazier de la Région Parisienne*). From 1983 to 1990, he held various roles within the technical and operating division of Gennevillers. He was a trade union representative from 1990 to 1994 and then worked as a technical agent. Since 2000, he has been manager of internal resources (real estate, vehicles, IT and transmission) for the Val-de-Seine region of GRTgaz. Patrick Petitjean was named Director representing the "Other Employees" category, by employee vote on December 18, 2008.

Directors representing employee shareholders

Gabrielle Prunet (French citizen, born December 5, 1955 in Biarritz, France) joined the accounting department of Lyonnaise des Eaux Biarritz 34 years ago. She is a member of the Works Council, where she served as treasurer for many years. For 20 years, she managed the IT department of the Customer Billing and Collection Division. She currently works in the Reporting Department. Certain other directorships and positions include Chairman of the Supervisory Board of the SPRING funds and Chairman of the Supervisory Board of the LINK funds.

Biographical information of the Non-voting Director* (*Censeur*) *and of the Government Commissioner

Non-voting Director (Censeur)

Gérard Lamarche (Belgian citizen, born July 15, 1961 in Huy, Belgium) holds degrees from the University of Louvain-la-Neuve in economics and the INSEAD Business School and took part in the Wharton International senior management program. He began his professional career in 1983 with Deloitte Haskins & Sells, which appointed him M&A Consultant in the Netherlands in 1987. In 1988, he joined Société Générale de Belgique as Investment Manager. He was promoted to Controller in 1989, and in 1992 was appointed Advisor to the Strategy and Planning Department.

He joined Compagnie de Suez in 1995 as Special Projects Advisor to the President, followed by Secretary of the Managing Committee. After the merger between Suez and Lyonnaise des Eaux in 1997, he was appointed the new Group's Senior Vice President in charge of Planning, Control and accounting. In 2000, he was named Director, Senior Executive Vice President and Chief Financial Officer of Ondeo Nalco (US subsidiary of the Suez Group). In 2003, he was called back to the Suez headquarters in Paris, where he was appointed Senior Executive Vice President, Finance, and then Chief Financial Officer of the Suez Group. In July 2008, he was named Executive Vice President, CFO of GDF SUEZ and became a member of the Management and Executive Committees of the GDF SUEZ Group. On April 12, 2011 he was appointed as a Director of Groupe Bruxelles Lambert, followed by Managing Director in January 2012. He is also a Director of Total, BNP Paribas Fortis, and Legrand.

Government Commissioner

Pierre-Franck Chevet (French citizen, born September 28, 1961 in Grenoble, France), a graduate of the École Polytechnique and the École Nationale de la Statistique et de l'Administration Économique (ENSAE), is an Engineer in the Corps des Mines (elite civil service corps). From 1986 to 1995, he held various positions at the Ministry of Industry. From 1995 to 1999, he was Regional Director of Industry, Research and the Environment in Alsace, and held the same position in Nord-Pas-de-Calais from 1995 to 2005. At the same time, he served as Director of the École Nationale des Techniques Industrielles des Mines in Douai. From 2005 to 2007, he held various industry advisory roles within the office of the Prime Minister. Since July 2008, he has been Executive Director for Climate and Energy at the Ministry of Ecology, Energy, Sustainable Development and the Sea. In December 2010, he became Executive Director for Energy and Climate at the Ministry of Ecology, Sustainable Development, Transportation and Housing. Pierre-Franck Chevet was appointed Director representing the French

State by Ministerial Order of July 16, 2008 and member of the Strategy and Investments Committee on July 22, 2008. Certain other directorships and positions include Director OF THE Agency for Environment and Energy Management (ADEME), Director representing the French State at the French Institute of Petroleum (IFP) and La Poste, Member of the Supervisory Board of Areva representing the French State, Government Commissioner with Areva NC, ANDRA and the French Energy Regulatory Committee (CRE).

Independence of the Directors in office

As of the date of this Offering Memorandum, the GDF SUEZ Board of Directors comprises 19[44] Directors in office, including 15 French Directors and 4 non-French Directors among whom 8 are deemed to be independent and 11 are considered as not independent (including the Directors who are Executive Officers, the Directors representing the French State and the Company's employees).

The Internal Regulations of the Board of Directors requires the Board to review annually the independence and status of each of its members, based on criteria determined by the Board. Every year, before the General Shareholders' Meeting held to approve the financial statements, the Board carries out an evaluation of the independence of Directors. During the course of this evaluation, the Board reviews, on a case-by-case basis, the status to be attributed to each of its members on the basis of the criteria that it has adopted, the specific circumstances and the situation of the Director concerned, the Company and the Group.

The independence criteria for Directors are set by the Board in line with corporate governance practices recommended by the applicable French authorities, in particular the AFEP-MEDEF Corporate governance Code of Listed Corporations which states that a director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to color his or her judgment. The AFEP-MEDEF Code considers a director independent if such director:

- not be an employee or officer of the company or an employee or Director of the parent company or of a company within its scope of consolidation and must not have been so during the last five years;
- not be the officer of a company in which the Company holds, directly or indirectly, a Directorship or in which an employee appointed as a director or an officer of the Company (currently in office or in office within the last 5 years) holds a directorship;
- not be (or not be related, directly or indirectly) to a customer, supplier or corporate or investment banker of significance to the Company or its group, a significant share of whose business is provided by the Company or group;
- have no close family ties with a corporate officer;
- not have served as an auditor of the Company during the previous five (5) years;
- not have been a director of the Company for more than 12 years (as a practical matter, a Director loses his/her independent status under this criterion only on expiry of the term of office in which the 12-year limit is exceeded).

Directors representing major shareholders of the Company or its parent company may be considered independent provided that they do not exercise control over the company. If the interest in the Company exceeds a threshold of 10% of the capital or voting rights, the Board, based on the Nominations Committee's report, must systematically review the independent status of the Director(s) concerned, taking into account the structure of the Company's capital and whether or not there may be conflicts of interest.

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[44] The Board of Directors, at its September 19, 2012 meeting, has noticed the resignation of René Carron, independent Director, and Bruno Bézard, Director representing the French State. The Board has coopted Mrs. Ann-Kristin Achleitner, Independent Director, German citizen, and Scientific Director of the Center for Entrepreneurial and Financial Studies, Technische Universität of Munich (TUM). The number of Directors is therefore temporarily reduced to 18 until the French State appoints another representative.

The AFEP-MEDEF's recommendations expressly state that the Board may decide that a given criterion is not relevant or requires an interpretation specific to the Company. For instance, the Board of Directors may conclude that although a Director meets the criteria above, he/she does not qualify as independent in view of his/her particular circumstances or the situation of the Company, relating to its shareholding structure or for any other reason. Conversely, the Board may decide that a Director who does not strictly meet the criteria for independence nonetheless qualifies as independent.

The Board also considered other interpretations published by various international governance organizations, in particular:

- the ISS Governance Services' publication of June 27, 2008 concerning the former SUEZ Group, in anticipation of the July 16, 2008 Annual Shareholders' Meeting regarding the merger, with particular focus on the section regarding governance of the future GDF SUEZ Group;
- the European Commission's analysis in its recommendations of February 15, 2005 regarding, "*the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board*" 2005/162/EC), which provides that: "*A director should be considered independent only if he or she is free of any business, family or other relationship—with the company, its controlling shareholder or the management of either—that creates a conflict of interest such as to impair his or her judgment*";
- the work of the OECD described in the report on the "*Methodology for Assessing the Implementation of the OECD Principles of Corporate Governance*" (December 1, 2006), particularly Principle VI.E ("The board should be able to exercise objective independent judgment on the conduct of corporate affairs") and its sub-principle (Principle VI.E.1: "*The Board should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflicts of interest*"). Of particular interest is the excerpt from paragraph 315 (Principle VI.E), which refers to the presence of independent directors, who must "*not be employed by the company or its affiliates and not be closely related to the company or its management through significant economic, family or other ties*".

Meetings of the Board

The directors are convened for Board meetings by any appropriate means, in accordance with applicable law and the Board's own regulations. The Internal Regulations of the Board of Directors provide that the board of directors will meet at least six times per year, including at least once each quarter, and as often as required in the interest of the Company. Board meetings are called by the Chairman. If the Board of Directors has not met for more than two months, a number of directors equal to at least one third of the board membership may ask the Chairman to convene a meeting with respect to a particular agenda within a period of seven calendar days.

The convening notice must mention the place of the meeting and include the agenda as determined by the Chairman. Notice may be made by any means, even orally, and will be served at least seven days before the meeting is called, except in the event of a duly substantiated emergency or necessity. In such case, the notice period will be reduced to a minimum of 24 hours. Any director wishing to discuss with the board an item that has not been included on the agenda at any board meeting shall inform the Chairman prior to the meeting. The Chairman will inform the board in this respect.

The directors must be sent appropriate documentation and information enabling them to fulfill their duty. Except in the case of a duly substantiated emergency or necessity, these documents will be communicated at least seven days before each meeting.

Meetings of the Board of Directors must be chaired by the Chairman, or in his/her absence by one of the Vice-Chairmen, or else by a Director chosen by the Board at the beginning of the meeting. The office of secretary of the board and its committees and the preparation of minutes of meetings will be the responsibility of the Secretary General.

Resolutions are made under the conditions of quorum and majority provided by law. In the event of a tie, the Chairman shall have a casting vote. Any director may, under his own responsibility, delegate the right to vote in his name to another director by proxy. The Chairman may organize board meetings by videoconference or other means of telecommunication, subject to the requirements of law and the board's Internal Regulations. Persons participating by the above means of communication shall be considered to be present for purposes of voting and establishing a quorum, subject to applicable laws and regulations.

Powers of the Board

Pursuant to legal and regulatory provisions and Article 15.1 of the Company by-laws, the Board of Directors determines the Company's business strategy and oversees its implementation. Subject to the powers expressly granted to the shareholders' meetings and within the limit of the Company's corporate purpose, the Board deals with all matters concerning the smooth running of the Company and through its decisions manages the Company's business. The Board of Directors performs any controls and verifications it considers appropriate.

In addition to issues that fall under the authority of the Board pursuant to applicable laws and regulations, and in accordance with the Company's Internal Regulations, the following decisions are subject to prior review and approval by the Board:

- contracting with the government on major contracts regarding the objectives and methods involved in the implementation of public service projects delegated to the Company or its subsidiaries, within legal limits;
- acquiring or divesting any of the Company's direct or indirect interests in any company formed, or to be formed, taking an interest in the formation of any company, joint venture, consortium or body or subscribing to any issue of shares, partnership shares or bonds in which the Company's or the Group's financial exposure exceeds €500 million for the transaction in question;
- becoming involved in any asset contribution or exchange transaction, with or without a cash balance, relative to goods, securities, stocks or bonds for an amount exceeding €500 million;
- resolving disputes by way of any agreement, settlement or arbitration decision for an amount exceeding €200 million;
- entering into any long-term energy purchasing plan on behalf of the Group that involves quantities, per transaction, in excess of:
    - 30 billion kWh of gas per year, including their conditions of transport,
    - 20 billion kWh of electricity per year, including the terms of transmission.
- entering into any real estate acquisition or disposal transaction for an amount exceeding €200 million;
- entering into any of the following transactions for an amount exceeding €1.5 billion:
    - granting or contracting any loans, borrowings, credit or cash advances by the Company, or authorizing any Group subsidiary or financing medium for this purpose,
    - acquiring or assigning any receivables, by any method.

Each year, the Board of Directors authorizes the Chairman and Chief Executive Officer to issue guarantees and other security for an amount it determines. In addition, the Board reviews the budget, the Group's industrial strategy, financial strategy and energy supply policy at least once a year.

Board standing Committees

Article 15.2 of the bylaws provides that to assist in its deliberations, the Board of Directors may create internal standing committees whose work will provide a basis for its decisions. Pursuant to Article 15.2 of the bylaws and Article 3 of the Board's Internal Regulations, these Committees are tasked with studying matters of concern to the Company that the Board or the Chairman have submitted for their opinion. They are also charged with preparing the Board's work and decisions on such matters and projects and reporting their conclusions back to the Board in the form of reports, proposals, opinions, information or recommendations.

The Committees perform their duties under the responsibility of the Board of Directors. No Committee may, of its own initiative, address any issue that falls outside the scope of its mission. Committees have no decision-making power.

On the Chairman's recommendation and after deliberation, the Board of Directors appoints the members and Chairman of each Committee, based on the skills, experience and availability of each Director. In principle, the term of office for Committee members is two fiscal years, unless the remainder of the term of office of the Directors in question is too short to complete the entire two-year period. In that case, the terms of office of Directors and Committee members shall end simultaneously. Committee members' terms of office are renewable, subject to their continuous service as Directors of the Company. All Committees are chaired by an independent Director.

Four standing Committees assist the Board of Directors of GDF SUEZ:

- the Audit Committee, which currently consists of six members: Aldo Cardoso (Chairman), Ann-Kristin Achleitner, Edmond Alphandéry, Olivier Bourges, Françoise Malrieu and Anne-Marie Mourer;

- the Strategy and Investments Committee, which currently consists of six members: Edmon Alphandéry (Chairman), Olivier Bourges, Aldo Cardoso, Pierre Mongin, Patrick Petitjean and Lord Simon of Highbury;

- the Nominations and Compensation Committee, which currently consists of five members: Jean-Louis Beffa (Chairman), Olivier Bourges, Paul Desmarais Jr., Françoise Malrieu and Lord Simon of Highbury;

- the Ethics, Environment and Sustainable Development Committee, which currently consists of four members: Françoise Malrieu (Chairman), Ann-Kristin Achleitner, Alain Beullier and Stéphane Pallez.

The principal responsibilities, powers and means for the operation of each of the Committees are described in the Internal Regulations of the board of directors. The principal terms and conditions of those Internal Regulations with respect to the committees are:

Audit Committee

The Audit Committee shall be composed of three to six directors, at least two-thirds of whom shall be independent directors.

The Audit Committee will meet at least four times per year, in particular prior to the approval of the annual and interim financial statements; it sets the dates of its meeting. However, the Audit Committee may hold a meeting at the request of its Chairman or two of its members.

The Audit Committee has four main functions:

<u>The financial statements</u>

The Audit Committee is required to:

- monitor the financial reporting process;

- examine the draft annual and interim financial statements and give its opinion on them before they are submitted to the board of directors;

- examine the relevance and consistency of the accounting principles and rules used to draw up the statutory and consolidated financial statements and prevent any breach thereof;

- be provided with information regarding changes in the scope of consolidation and any necessary explanations;

- interview the Statutory Auditors, Executive Management, the Finance department, Internal Audit department and any other member of management, whenever it considers it necessary; such interviews may take place, where applicable, without Executive Management being present;

- examine before their publication, the draft annual and interim financial statements, management reports, results and all financial statements (including forecast financial statements) prepared for the purpose of a significant specific operations and important financial press releases before they are issued;
- ensure the quality of procedures for compliance with stock market regulations;
- be kept informed each year of the financial strategy and of the condition of the Group's main financial transactions.

External Control

The Audit Committee is required to:

- monitor the statutory audit of the annual and consolidated accounts by the Statutory Auditors;
- examine matters concerning the appointment, reappointment and dismissal of the Company's Statutory Auditors and the fees to be set for the performance of statutory audit engagements;
- supervise the rules on using the services of the Statutory Auditors for work other than auditing the accounts and, more generally, ensure compliance with the principles guaranteeing the independence of the Statutory Auditors;
- approve in advance any assignment other than an audit assignment entrusted to the Statutory Auditors;
- each year, with the Statutory Auditors, examine the audit fees paid by the Company and Group to the networks to which the Statutory Auditors belong, their work plans, the conclusions thereof, their recommendations and how they are followed up;
- settle any disagreements, where applicable between the Statutory Auditors and Executive Management that may arise in the course of this work.

Internal Control

The Audit Committee is required to:

- assess the effectiveness and quality of the Group's internal control systems and procedures;
- examine with the internal audit managers, the internal audit plans and action, the conclusions thereof, their recommendations and how they are followed up, without Executive Management being present, where applicable;
- obtain information from Executive Management, or via any other channel, on any third-party complaints and internal data revealing criticisms of the Company's accounting documents or internal control procedures, the procedures put in place for this purpose and the remedies for these complaints and criticisms;
- assign any task that it may consider necessary to the internal audit department.

Risk

The Audit Committee is required to:

- obtain regular information on the Group's financial position, cash position, significant commitments and risks;
- examine risk management policy and the procedures used to assess and manage the above risks.

Strategy and Investments Committee

The Strategy and Investments Committee shall be composed of three to five directors, at least half of whom shall be independent directors.

The Strategy and Investments Committee meets at least four (4) times per year. In order to perform its work, the Committee may interview members of the Company or Group management and use the services of outside experts if required. The Committee sets the dates of its meetings.

The Strategy and Investments Committee gives the Board its opinion on the Company's main strategic orientations and in particular on:

- the strategic plan (on its different aspects);
- the public service contract.

The Committee makes recommendations on all plans for external and internal growth, disposals, strategic agreements, alliances or partnerships that are submitted to the board of directors. The Committee also gives its opinion on issues regarding the creation or modernization of industrial equipment and work on an annual or multi-annual basis, procurement policy and real estate projects.

The Committee is informed of the following operations:

- the acquisition or transfer of any direct or indirect interests of the Company in any companies already in existence or to be created, participation in the creation of any companies, joint ventures, partnerships and organizations, subscription to any issues of shares, company share equivalents or bonds, where the Company's or the Group's exposure is between €350 and €500 million,
- contributions, exchange of goods, shares or securities, with or without a balancing cash payment for an amount of 350 and 500 million Euros.

Nominations and Compensation Committee

The Nominations and Compensation Committee comprises three (3) to five (5) members appointed by the Board of Directors, at least half of whom are chosen from among its independent members.

The Chairman and Chief Executive Officer and the Vice-Chairman, President attend Committee meetings except for questions that concern them.

The Committee meets at least twice a year, including once prior to approval of the General Shareholders' Meeting agenda, to review the draft resolutions to be submitted to such meeting regarding the positions of members of the Board of Directors.

A meeting of the Committee may be called, where necessary, by the Chairman of the Board of Directors or the Chairman of the Committee or at the request of half of its members.

The Nominations and Compensation Committee is assigned the following tasks by the Board:

- to examine candidacies for appointment as a Director or non-voting Director on the Board to be submitted to the General Shareholders' Meeting and formulate an opinion and/or recommendation to the Board with regard to such candidacies;
- to examine any proposal from the Chief Executive Officer relating to the appointment of the members of the Committees and their Chairmen, taking into account their skills, their experience and their availability and to express an opinion on these proposals and/or make a recommendation to the Board;
- when their terms of office are about to expire, to draw up recommendations for the successors for the Chairman and Chief Executive Officer and the Vice-Chairman, President;

- to be informed about the management of the Company's succession plan.
- to make recommendations to the Board on compensation, pension and benefit plans, benefits in kind and various financial rights, including, where applicable, allocations of the Company's share subscription or purchase options and bonus share awards, made to the Chairman and Chief Executive Officer and the Vice-Chairman, President, and to any Board members who have signed employment contracts with the Company;
- to make recommendations on compensation for Board members;
- at least once a year to assess the conditions under which employment conditions between Gaz de France and SUEZ employees are being harmonized as well as the competitiveness of such conditions with regard to comparable global corporations;
- to make recommendations on share subscription or purchase options and bonus share awards to the Executive Vice-Presidents.

Ethics, Environmental and Sustainable Development Committee

The Ethics, Environmental and Sustainable Development Committee shall be composed of three to five members, at least half of whom shall be independent directors.

The Ethics, Environmental and Sustainable Development Committee meets at least once per year.

To maintain the high standards of conduct on which the Group has built its reputation, the Ethics, Environment and Sustainable Development Committee gathered information on the development of ethics and compliance systems within the Group in order to ensure that these had been deployed as usual and had been subject to application and control procedures to maintain the high standards of conduct on which the Group's reputation is based. The committee thus requested the presentation of the annual compliance procedure and the annual report of the Group's Ethics Officer, which highlight in particular the organization of business lines and subsidiaries, the deployment of the new Ethics Charter and the "Ethics in Practice" guide and the development of a network comprising over 175 ethics officers on specific training initiatives. The committee was also kept informed of the latest developments in the principal disputes involving the Group.

The Committee may interview the Executive Management or members thereof, the Internal Audit department, the Ethics and Compliance department or any other member of management when it considers it necessary. These interviews may take place, where applicable, without members of Executive Management being present.

The Ethics, Environment and Sustainable Development Committee oversees compliance with the individual and collective values on which the Group bases its actions and the rules of conduct that must be applied by each employee. The Committee ensures that the necessary procedures have been put in place in order to:

- update the charters applicable within the Group and to ensure that they are circulated and applied;
- ensure that the foreign subsidiaries apply their own codes which take into account the legal and regulatory framework of the country in which they operate;
- provide specific training to accompany the distribution of the Group charters;
- be informed of solutions brought to bear on cases submitted to the individual committees of the various Group companies.

Code of governance and ethical principles

Code of governance

GDF SUEZ maintains its commitment to implementing corporate governance guidelines and, for this purpose, refers to the AFEP-MEDEF Code of corporate governance for listed companies. The AFEP-MEDEF Code of Corporate Governance is available on the website www.medef.fr.

The Board of Director's Internal Regulation and its attachments

The operations of the GDF SUEZ Board of Directors are defined by Article 14 of the Company bylaws. The means of organizing its work are set out in the Board of Directors' Internal Regulations, which provides the ways and means by which the Board can operate efficiently on behalf of the Company and its shareholders, as well as the responsibilities incumbent on the Directors.

The Internal Regulations detail the composition and operating procedures of the Board of Directors, the scope of responsibilities of the Board and the roles of the Board Committees.

The Directors' Charter and the Code of Conduct are attached to the Internal Regulations. They set out the rights and obligations that each Director undertakes to observe:

- the Directors' Charter intends to ensure that each Director's contribution is entirely effective in observing the rules regarding independence, ethics and integrity;
- the Code of Conduct sets out the rules relating to the Company's securities transactions and insider trading applicable to Directors, Corporate Officers and all employees. It expresses the Company's intention to ensure prudent management of its securities, to comply, and to ensure compliance by others with current regulations governing securities transactions conducted by Directors, Corporate Officers and employees by reminding them of the ban on certain transactions involving Company securities, and the requirement to disclose transactions entered into by Directors, Corporate Officers and related parties.

In addition, the Status of Employee Directors sets forth the conditions under which Directors employed by the Group exercise their duties.

Ethics of conduct

In terms of the ethics of conduct, GDF SUEZ adopted in 2009 an Ethics Charter and the Guidelines "*Ethics in Practice*" pursuant to which each employee and entity of the Group in France and abroad, and any person seconded by a third party to a Group entity, must practice in the exercise of their professional activities.

The Ethics Charter defines the four ethics principles of GDF SUEZ: to act in accordance with laws and regulations, to establish a culture of integrity, demonstrating loyalty and honesty, and to respect others. It also establishes the overall framework for ethics governance; which relies on the management's involvement and responsibility and it is part of a continuous effort to improve practice and views the Group's ethics compliance as a contribution to the Group's overall performance.

In 2010, GDF SUEZ adopted an "*Integrity Referential*", which is the *modus operandi* of the ethics principle of: "*establishing a culture of integrity*", and is thus the foundation of the Group's program for fighting fraud and corruption.

Agreements entered into by the Company to which Directors are party

Under the Internal Regulations of the board of directors, the Company's Directors shall be obliged to provide the Chairman immediately with any agreement entered into by the Company to which they are directly or indirectly a party, and with any agreement entered into between them or a company of which they are corporate officers or managers or in which they directly or indirectly hold a significant shareholding, and the Company or any of its subsidiaries.

The Chairman shall inform all the Directors immediately of the essential terms and conditions of the agreements provided and shall inform the Statutory Auditors of the agreements authorized by the Board within one month of the date of signature of such agreements.

RELATED PARTY TRANSACTIONS

Relationship with the French State

The French State holds a 36.0% interest in our share capital and appoints 6 representatives to our 22-member Board of Directors as discussed in "Management" above. The French State also holds a golden share aimed at protecting France's critical interests and ensuring the continuity and safeguarding of supplies in the energy sector. The golden share is granted to the French State indefinitely and entitles it to veto decisions taken by us if it considers they could harm France's interests.

We are subject to the public service engagements in the energy sector as defined by the law of January 3, 2003. These engagements are implemented by means of a new public service contract dated December 23, 2009, which sets out (i) our public service obligations and (ii) the conditions for rate regulation in France.

With respect to (i) above, as part of our public service obligations, we are reinforcing our commitments to the protection of goods and individuals, solidarity and assistance to low-income customers, sustainable development and research. With respect to (ii) above, a decree was published regarding the overall regulatory framework for setting and changing natural gas rates in France. The decree provides for rate change forecasts based on costs incurred. It also establishes rules and responsibilities for the various players over the period 2010-2013. The decree applies to transmission rates on the GRT Gaz transportation network and the gas distribution network in France, as well as rates for accessing the French LNG terminals, which are all subject to regulated rates set by ministerial decrees.

Relationship with EDF

Following the creation on July 1, 2004 of the French gas and electricity distribution network operator (EDF Gaz de France Distribution), Gaz de France SA and EDF entered into an agreement on April 18, 2005 setting out their relationship as regards the distribution business. The December 7, 2006 law on the energy sector reorganized the natural gas and electricity distribution networks. ERDF SA, a subsidiary of EDF SA, and GrDF SA, a subsidiary of GDF SUEZ S.A., were created on January 1, 2007 and January 1, 2008, respectively, and act in accordance with the agreement previously signed by the two incumbent operators.

Relations with the CNIEG (*Caisse Nationale des Industries Electriques et Gazières*)

The Group's relations with the CNIEG, which manages all old-age, death and disability benefits for active and retired employees of the Group who belong to the special EGI pension plan, employees of EDF, and Non-Nationalized Companies (Entreprises Non Nationalisées – ENN), are described in Note 18 of our FY2011 financial statements, "Post-employment benefits and other long-term benefits".

Transactions with joint ventures and associates

Joint Ventures

	As of December 31, 2011							
	Purchases of goods and services	Sales of goods and services	Net financial income/ (loss) (excl. dividends)	Trade and other receivables	Loans and receivables at amortized cost	Trade and other payables	Borrowings and debt	Commitmen ts and guarantees given
	(in millions of €)							
SPP group	125	133				2		
Eco Electrica		107						
Tirreno Power	269	74		38		55		
WSW Energie und Wasser	105	92		5	6	6		
EFOG	381		1					
Energia Sustentavel Do Brasil							348	1,366
Other	443	446	(19)	207	722	72	83	693
Total	1,323	852	(18)	250	728	135	431	2,059

EFOG. We sold our 22.5% interest in EFOG on December 31, 2011 (see Note 2 of our FY 2011 financial statements, "Main changes in Group structure"). We purchased gas for €381 million from EFOG in FY 2010 (€257 million in FY 2010). As part of our policy of pooling surplus cash, we received cash advances from EFOG. The outstanding amount of these advances totaled €115 million at December 31, 2010. At December 31, 2011, the Group's liability in respect of EFOG was taken over by Total within the scope of the Group's sale of its interest in EFOG.

Acea-Electrabel group (Italy). GDF SUEZ Italia was a wholly-owned subsidiary of Electrabel and had a 40.59% interest in Acea-Electrabel which itself owns several subsidiaries. In the first quarter of 2011, we terminated our partnership with Acea concerning energy activities in Italy. As indicated in Note 2 of our FY 2011 financial statements, "Main changes in Group structure", the Group acquired a controlling interest in certain entities and sold the marketing company AceaElectrabel Elettricita along with a number of production assets to Acea. Only Tirreno Power, jointly owned with GDF SUEZ Energia Italiana, continues to be proportionately consolidated. Sales of electricity between GDF SUEZ and Tirreno Power amounted to €269 million in 2011, while sales of gas and electricity to AceaElectrabel totaled €100 million in FY 2010. GDF SUEZ has also granted loans to the Acea-Electrabel group, in respect of which €349 million remained outstanding at December 31, 2010.

SPP group (Slovakia). We hold a 24.5% interest in the SPP group. Natural gas sales and other services billed to the SPP group amounted to €133 million in 2011 and €125 million in 2010. Purchases of natural gas and other services provided by the SPP group amounted to €125 million in 2011 and €124 million in 2010. At end-2011, the Group's accounts receivable and payable with SPP were not material (€22 million and €25 million, respectively, at December 31, 2010).

Eco Electrica (Puerto Rico). We own 24.4% of the share capital of Eco Electrica, and 50% of its voting rights. Sales of natural gas billed to Eco Electrica totaled €107 million 2011.

WSW Energie und Wasser (Germany). We own 33.1% of the share capital of WSW Energie und Wasser and 33.1% of its voting rights. Sales and purchases of electricity between us and WSW Energie und Wasser amounted to €92 million and €105 million, respectively, in 2011.

Energia Sustentavel Do Brasil (Brazil). We hold 34.9% of the share capital of Energia Sustentavel do Brasil, and 50.1% of its voting rights. This consortium was set up in 2008 to build, own and operate the 3,450 MW hydroelectric Jirau power plant. Energia Sustentavel Do Brasil carried out a capital increase in 2011. The total amount of subscribed capital to be paid by the Group was €348 million at December 31, 2011.

In 2009, the Brazilian development bank (*Banco Nacional de Desenvolvimento Econômico e social*) granted a BRL 7 billion loan (around €3 billion) to Energia Sustentavel do Brasil. Each partner stands as guarantor for this debt to the extent of its ownership interest in the consortium.

Associates

	As of December 31, 2011				
	Purchases of goods and services	**Sales of goods and services**	**Trade and other receivables**	**Loans and receivables at amortized cost**	**Commitments and guarantees given**
			(in millions of €)		
Inter-municipal companies	1,427	47	7	111	406
Contassur			128		
International Power ventures in the Middle East		400	23	124	657
Paiton		19	9	136	

Inter-municipal companies. The mixed inter-municipal companies with which Electrabel is associated manage the electricity and gas distribution network in Belgium. Following various transactions and events which occurred during the first half of 2011 (see Note 2 of our FY 2011 financial statements, "Main changes in Group structure"), as from June 30, 2011 the Group no longer had significant influence over the Flemish inter-municipal companies and has accounted for its interest in those companies within "Available for- sale securities" in its FY 2011 financial statements. Consequently as of this date, any transactions with mixed inter-municipal companies referred to below no longer include transactions with the inter-municipal companies based in Flanders.

At December 31, 2011, Electrabel had granted cash advances to the inter-municipal companies totaling €111 million (€123 million at December 31, 2010). Electrabel Customer Solutions (ECS) purchased gas and electricity network distribution rights from the inter-municipal companies in an amount of €1,394 million in FY 2011, compared with €2,012 million in FY 2010. Trade receivables and payables relating to gas and electricity supply services between the Group and the mixed inter-municipal companies are not material.

Electrabel stands as guarantor for €406 million of the loans contracted by mixed inter-municipal companies in the Walloon region in connection with the financing for capital decreases.

Contassur. Contassur is a life insurance company accounted for under the equity method. It is 15%-owned by Electrabel. Contassur offers insurance contracts, chiefly with pension funds that cover post-employment benefit obligations for Group employees and also employees of other companies mainly engaged in regulated activities in the electricity and gas sector in Belgium. These insurance policies give rise to reimbursement rights, and are therefore recorded under "Other assets" in the statement of financial position for €128 million at December 31, 2011 and €142 million at December 31, 2010.

International Power ventures in the Middle East. International Power's ventures in the Middle East own and operate electricity production plants and seawater desalination facilities. We sold €400 million of electricity, gas and services to these companies in 2011. Loans granted by the Group to these ventures in the Middle East totaled €124 million at December 31, 2011. Guarantees given by the Group to these entities totaled €657 million at December 31, 2011.

Paiton. As a result of our acquisition of International Power plc, we acquired 28.2% of the share capital of Paiton, and 44.7% of its voting rights. Loans granted by us to Paiton totaled €136 million at December 31, 2011.

DESCRIPTION OF THE NOTES

The following description is a summary of the material provisions of the notes and the Fiscal Agency Agreement. This summary is not complete and is subject to, and qualified in its entirety by reference to, the provisions of the Fiscal Agency Agreement and the notes. Capitalized terms used in the following summary and not otherwise defined herein shall have the meanings ascribed to them in the Fiscal Agency Agreement. You may obtain copies of the Fiscal Agency Agreement and specimen notes upon request to the Fiscal Agent at the address set forth under "—Fiscal Agent, Paying Agent and Registrar" below.

The Issuer will issue the 2017 notes and the 2022 notes as one or more separate series of debt securities under a fiscal agency agreement (the "Fiscal Agency Agreement") to be dated October 10, 2012 between the Issuer and Citibank, N.A., London Branch, as fiscal agent, principal paying agent and registrar (the "Fiscal Agent"). The following is a summary of the material provisions of the Fiscal Agency Agreement. Because this is a summary, it may not contain all the information that is important to holders of the notes (the "noteholders"). Noteholders should read the Fiscal Agency Agreement in its entirety and will be deemed to have notice of the provisions thereof. Copies of the Fiscal Agency Agreement are available without charge at the specified offices of the Fiscal Agent.

General

The notes, which will be deemed to be issued outside the Republic of France, are the U.S.$750,000,000 aggregate principal amount of 1.625% notes due 2017 (the "2017 notes") and the U.S.$750,000,000 aggregate principal amount of 2.875% notes due 2022 (the "2022 notes" and, together with the 2017 notes, the "notes"). The issuance of the notes was authorized by a resolution duly adopted by the Board of Directors of the Issuer on December 6, 2011 and a decision with respect to implementation of such resolution duly taken by the chief executive officer of the issuer on September 21, 2012.

Maturity

Unless previously redeemed or purchased and cancelled, the 2017 notes will mature on October 10, 2017 and the 2022 notes will mature on October 10, 2022.

Ranking

The notes will be unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* and equally and ratably in right of payment without any preference among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer.

Interest

The 2017 notes will bear interest from, and including October 10, 2012 (the "Issue Date") at the rate of 1.675% per annum, payable semi-annually in arrears on April 10 and October 10 of each year (each an "Interest Payment Date"), commencing on April 10, 2013, to holders of record on the fifteenth (15th) calendar day preceding the Interest Payment Date. The 2022 notes will bear interest from and including the Issue Date at the rate of 2.875% per annum, on each Interest Payment Date, commencing on April 10, 2013, to holders of record on the fifteenth (15th) calendar day preceding the Interest Payment Date.

Interest will begin to accrue on the notes commencing on October 10, 2012. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.

If any payment with respect to the notes is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next succeeding Business Day, and no additional interest shall accrue. For purposes hereto, "Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City, Paris, France or in the city in which the corporate trust office of the Fiscal Agent is located are authorized by law to close.

Each note will cease to bear interest from the date on which it is to be redeemed, unless payment of the full amount due in respect of the note is improperly withheld or refused on such date by the Issuer. In such event, such note shall continue to bear interest until the earlier of (a) the day on which all sums due in respect of such note up to that day are received by or on behalf of the relevant noteholder and (b) the day the Fiscal Agent has received all sums due in respect of all notes up to that day.

Interest payments will be made subject to, and in accordance with, the provisions of "— Payments" below.

Payments

The notes shall be payable as to principal, premium, if any, and interest in U.S. dollars at the office or agency of the Issuer maintained for such purpose, or, at the option of the Issuer, payment of interest may be made by check mailed to the holders at their addresses set forth in the register; *provided*, *however*, that payment by wire transfer of immediately available funds shall be required with respect to principal of and interest and premium, if any, on, all global notes and all other notes the holders of which shall have provided wire transfer instructions to the Issuer or the Paying Agent. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Issuer or a subsidiary thereof, holds as of 11:00 a.m. Eastern Time on the due date money deposited by the Issuer in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. Payments of principal, interest and other amounts on the notes will, in all cases, be made subject to any applicable fiscal or other laws and regulations in the place of payment. No commission or expenses shall be charged by the Issuer or the Fiscal Agent to the noteholders in respect of such payments.

Form and Denomination

The notes will be issued in registered form only without coupons in denominations of U.S.$2,000 principal amount and in integral multiples of U.S.$1,000 in excess thereof. Except in limited circumstances, the notes will be issued in the form of global notes. See "Book-Entry, Delivery and Form."

Additional Amounts

If French or other law should require that payments of principal or interest made by the Issuer in respect of any note be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or governmental charges of whatever nature (including penalties, interest and other liabilities related thereto) ("Taxes") imposed or levied by, within or on behalf of, the Republic of France or any jurisdiction from or through which any payment under the notes is made by or at the direction of the Issuer or any authority therein or thereof having power to tax (each a "Relevant Jurisdiction"), the Issuer will, to the fullest extent then permitted by law, pay such additional amounts ("additional amounts") as shall result in receipt by the noteholder of such amounts as would have been received by them had no such deduction or withholding been required. However, the Issuer shall not be liable to pay any such additional amounts in respect of any note where:

(i) the holder of the note is subject to such Taxes in respect of such note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such note, receiving payments on the note or enforcing any rights with respect to the note;

(ii) such Taxes would not have been imposed but for the presentation of a note (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable (except to the extent that the holder would have been entitled to additional amounts had the notes been presented for payment on the last day of such period);

(iii) such Taxes are imposed or withheld by reason of the failure by the holder or the beneficial owner of the note to comply with a written request of the Issuer or the Fiscal Agent addressed to the holder or the beneficial owner to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the holder or beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement which are required by a statute, regulation or administrative practice of a Relevant Jurisdiction as a precondition to exemption from all or part of such Taxes;

(iv) such Taxes are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;

(v) such Taxes are payable because any note was presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the note to another paying agent; or

(vi) such Taxes result from any combination of the above.

References in this section to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this section. The Issuer shall maintain a paying agent in a Member State of the EU that will not be obliged to withhold or deduct any Taxes pursuant to (iv) above.

At least 30 days prior to each date on which any additional amount payment under or with respect to the notes is due and payable, the Issuer will deliver to the Fiscal Agent an officers' certificate stating the fact that such additional amounts will be payable, the amounts so payable and any other information necessary to enable the Fiscal Agent to pay such additional amounts to noteholders on the relevant payment date. Each such officers' certificate may be relied upon until receipt of a further officers' certificate addressing such matters.

The Issuer will make all required withholding and deduction and will remit the full amount to be deducted or withheld to the Relevant Jurisdiction in accordance with applicable law. The Issuer will use commercially reasonable efforts to provide the Fiscal Agent with an official tax receipt of the Relevant Jurisdiction (or a certified copy thereof) evidencing the payment of the Taxes so withheld or deducted by the Issuer. Upon request, copies of such documentation will be made reasonably promptly available to the noteholders or the paying agents, as applicable, or if, notwithstanding the Issuer's effort to obtain receipts, receipts are not obtained, other evidence of payment by the Issuer.

The Issuer will pay any stamp, issue, registration, documentary, court, excise or other similar taxes, charges and levies (including interest and penalties) imposed by or on behalf of a Relevant Jurisdiction in connection with the execution, issue, delivery, redemption or enforcement of the Notes, the Fiscal Agency Agreement or any other document in relation thereto.

Redemption

Optional Redemption in General

The Issuer will have the right at its option to redeem the notes, in whole or in part, at any time or from time to time prior to their maturity, subject to having given not more than sixty (60) nor less than thirty (30) days' prior notice as provided in the Fiscal Agency Agreement. On or before the redemption date, the Issuer will deposit with the Fiscal Agent money sufficient to pay the redemption price and (unless the redemption date shall be an interest payment date) any accrued interest to the redemption date on the notes to be redeemed on such date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by the Fiscal Agent in accordance with the guidelines of the applicable clearing system, if any. The notes may be redeemed at a redemption price equal to the greater of (1) 100% of the principal amount of the notes and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points in the case of 2017 notes and 25 basis points in the case of 2022 notes, plus accrued interest (including additional amounts, if any) on the principal amount up to, but not including, the date of redemption.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the notes.

“*Independent Investment Banker*” means one of the Reference Treasury Dealers appointed by the Issuer.

“*Comparable Treasury Price*” means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Fiscal Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“*Reference Treasury Dealer*” means J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and a dealer selected by Mitsubishi UFJ Securities (USA), Inc. or their respective affiliates or successors which are primary U.S. government securities dealers and two other leading primary U.S. government securities dealers in New York City reasonably designated by the Issuer; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a “Primary Treasury Dealer”), the Issuer will substitute another Primary Treasury Dealer therefor.

“*Reference Treasury Dealer Quotation*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Fiscal Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing or email to the Fiscal Agent by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

Optional Redemption for Taxation Reasons

If, by reason of change in, or any change in the official application or interpretation of, the law of a Relevant Jurisdiction becoming effective (x) after the Issue Date or (y) in the case of a successor Person that has assumed the Issuer’s obligations pursuant to “— Covenants — Consolidation, Merger and Sale of Assets,” and is resident for tax purposes in a different jurisdiction than the Issuer, after the date of such assumption, the Issuer or such successor Person would on the occasion of the next payment of principal or interest due in respect of the notes, be required to pay additional amounts as specified in “— Additional Amounts” above and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer or such successor Person may, at its option, on any Interest Payment Date, subject to having given not more than sixty (60) nor less than thirty (30) days’ prior notice to the noteholders (which notice shall be irrevocable), in accordance with the provisions of “— Notices” below, redeem all, but not less than all, of the notes, at their principal amount with accrued interest (if any) to the date set for redemption and any additional amounts, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer or any successor Person could make payment of principal and interest without withholding for such taxes. For the avoidance of doubt, reasonable measures shall include a change in the jurisdiction of a paying agent provided that the Issuer is able to appoint a paying agent in the EU or United States that would not give rise to an obligation to pay additional amounts. Prior to the giving of notice of redemption of notes, the Issuer will deliver to the Fiscal Agent (i) an officer’s certificate to the effect that the Issuer is or at the time of the redemption will be entitled to effect such a redemption and (ii) a written opinion of counsel or tax advisors of recognized standing in the applicable Relevant Jurisdiction and independent of the Issuer to the effect that the Issuer is, or is expected to become, obligated to pay additional amounts as a result of such change or amendment, as described above, and setting forth in reasonable detail the circumstances giving rise to such right of redemption.

If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by the law of the Relevant Jurisdiction from making payment to the noteholders of the full amount then due and payable, notwithstanding the undertaking to pay Additional Amounts under the provisions of “—Additional Amounts” above, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall redeem all, but not less than all, of the Notes then outstanding at their principal amount with accrued interest (if any) to the date set for redemption, after giving not more than thirty (30) nor less than five (5) days' prior notice to the noteholders (which notice shall be irrevocable) in accordance with the provisions of "— Notices" below, unless such notice would expire after the latest practicable date on which the Issuer could legally perform or comply with one or more of its obligations under the Notes.

Covenants

Negative Pledge

So long as any of the notes remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not grant any mortgage (*hypothèque*), pledge or other form of security interest (*sûreté réelle*) upon any present or future tangible assets, intangible assets or revenues, or provide a guarantee or indemnity related thereto, in each case for the benefit of holders of any Relevant Debt unless the notes are secured equally and ratably therewith or are entitled to the benefit of such guarantee or indemnity.

None of the above shall prevent the Issuer from securing any Relevant Debt, where such indebtedness is incurred for the purpose of, and the proceeds thereof are used in, (i) the purchase of an asset and such security interest is granted over or in respect of such asset or (ii) the refinancing of any indebtedness incurred for the purpose of (i) above, provided that the security interest is granted over or in respect of the same asset.

For purposes of the above, "*Relevant Debt*" means indebtedness in the form of, or represented by, negotiable bonds, notes or debt securities having an original maturity at the time of issuance of more than one year, which are, or which are capable of being, quoted, listed, or ordinarily dealt with on any stock exchange, automated trading system, over-the-counter or other securities market.

Consolidation, Merger and Sale of Assets

So long as the notes are outstanding, the Issuer may, without the consent of the holders of notes, consolidate or merge with any other person or convey, transfer or lease its properties and assets substantially as an entirety to any person referred to as (the "successor Person") that is a corporation, partnership or trust, organized and validly incorporated under the laws of the Republic of France, the United States, any State thereof or the District of Columbia or a member country of the Organization for Economic Cooperation and Development (or any successor) provided that

(1) such Person expressly assumes the Issuer's obligations under the Fiscal Agency Agreement and the notes (including without limitation the obligation to pay additional amounts);

(2) immediately after giving effect to such transaction, no Event of Default (as defined below), shall have occurred and be continuing; and

(3) the Issuer has delivered to the Fiscal Agent an officer's certificate and opinion of counsel each stating that such transaction complies with the applicable provisions of the Fiscal Agency Agreement.

The successor Person shall succeed to, and be substituted for, and may exercise every right and power of the Issuer under the Fiscal Agency Agreement and the notes and the Issuer will be released from all of its liabilities and obligations under the Fiscal Agency Agreement and under the notes.

As of the date that such successor Person expressly assumes the Issuer's obligations under the Fiscal Agency Agreement, the "Relevant Jurisdiction" will be the jurisdiction in which such successor Person is organized.

Events of Default

Each of the following is an "*Event of Default*" under the Fiscal Agency Agreement and the terms of each tranche of notes:

(i) default in payment of the principal on any of the notes of such tranche when due and the default is continuing during five (5) calendar days;

(ii) default in any payment of interest or premium (if any) on, or any additional amounts payable in respect of, any of the notes of such tranche when due and payable, and the continuance of that default for thirty (30) days;

(iii) default is made in the performance of, or compliance with, any other obligation of the Issuer under the notes, if such default shall not have been remedied within sixty (60) days after there has been given a written notice to the Issuer by the Fiscal Agent or to the Issuer and the Fiscal Agent by the holders of at least 25% in principal amount of the outstanding notes affected thereby, specifying such default or breach;

(iv) after there shall be a default by the Issuer in the due and punctual payment of the principal of, or premium or interest on, any indebtedness for borrowed monies of or assumed by it and the continuance of that default for thirty (30) days after the due date (as the case may be) within any originally applicable longer grace period relating to such obligation, there shall be an acceleration of any such indebtedness, or there shall be a failure to pay such indebtedness upon maturity, provided that the aggregate amount of the relevant indebtedness for borrowed money in respect of which any one or more of the events mentioned in this sub-paragraph has or have occurred equals or exceeds €150,000,000 (or its equivalent);

(v) the Issuer makes any proposal for a general moratorium in relation to its debt or applies for the appointment of a *mandataire* ad hoc or enters into an amicable settlement (*procédure de conciliation*) with its creditors or a judgment is issued for the judicial liquidation (*liquidation judiciaire*) or for a transfer of the whole of the business (*cession totale de l'entreprise à la suite d'un plan de cession*) of the Issuer or, to the extent permitted by applicable law, the Issuer is subject to any other insolvency or bankruptcy proceedings or, the Issuer makes any conveyance, assignment or other arrangement for the benefit of our or its creditors or enters into a composition with its creditors or the Issuer is wound up or dissolved.

If an Event of Default with respect to the notes (other than an Event of Default described under clause (v) above) shall have occurred and be continuing, the registered holders of not less than 25% in aggregate principal amount of the notes of such series then outstanding may declare to be immediately due and payable the principal amount of all the notes then outstanding, plus accrued but unpaid interest to the date of acceleration, plus additional amounts, if any. In case an Event of Default described under clause (v) above shall occur, such amounts with respect to all the notes then outstanding shall be due and payable immediately without any declaration or other act on the part of the holders of the notes. After any such acceleration, but before a judgment or decree based on acceleration, the registered holders of at least a majority in aggregate principal amount of the notes then outstanding may, under certain circumstances, by written notice to the Issuer and Fiscal Agent rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal, premium or interest, have been cured or waived as provided in the Fiscal Agency Agreement.

If an Event of Default occurs or if we breach any covenant or warranty under the Fiscal Agency Agreement or the notes, the Fiscal Agent may pursue any available remedy to enforce any provision of the notes or the Fiscal Agency Agreement. The Fiscal Agent may maintain a proceeding even if it does not possess any of the notes or does not produce any of them in the proceeding. A delay or omission by the Fiscal Agent or any holder of a note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Except in cases of default, where the Fiscal Agent has some special duties, the Fiscal Agent is not required to take any action under the Fiscal Agency Agreement at the request of any holders unless the holders offer the Fiscal Agent reasonable protection from expenses and liability. This protection is called an indemnity. If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding notes may direct the time, method and place of conducting any lawsuit or other proceeding seeking any remedy available to the Fiscal Agent. These majority holders may also direct the Fiscal Agent in performing any other action the Fiscal Agent may undertake under the Fiscal Agency Agreement.

Before you bypass the Fiscal Agent and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

- You must give the Fiscal Agent written notice that an Event of Default has occurred and remains uncured.

- The holders of 25% in principal amount of all outstanding notes of such tranche must make a written request that the Fiscal Agent take action because of the default, and must offer reasonable indemnity to the Fiscal Agent against the cost and other liabilities of taking that action.

- The Fiscal Agent must have not taken action for sixty (60) days after receipt of the above notice, request and offer of indemnity.

- No direction inconsistent with such written request must have been given to the Fiscal Agent during such sixty (60) day period by holders of a majority in principal amount of all outstanding notes of that tranche.

We will furnish to the Fiscal Agent every year a written statement of certain of our officers certifying that, to their knowledge, we are in compliance with the Fiscal Agency Agreement and the notes, or else specifying any default.

Notices

Except as otherwise expressly provided in the Fiscal Agency Agreement, any notice or communication to a holder will be deemed given when mailed to the holder at its address as it appears on the register by first class mail or, as to any global note registered in the name of DTC or its nominee, when delivered to DTC and any other relevant securities clearing system, for communication by each of them to entitled participants. Copies of any notice or communication to a holder, if given by the Company, will be mailed to the Fiscal Agent at the same time.

Prescription

There is no express term in the Fiscal Agency Agreement as to any time limit on the validity of claims of holders to interest and repayment of principal, but any such claims will be subject to any statutory limitation period prescribed under New York law.

Further Issues

The Issuer may issue further notes of any series and increase the principal amount of any series of notes having the same ranking, interest rate, maturity and other terms as the notes being offered pursuant to this offering memorandum, except for issue date, issue price, and if applicable, the first payment of interest thereon; provided that any such further notes that are not fungible with the previously issued series of notes for U.S. federal income tax purposes must have a CUSIP, ISIN, common code and/or any other identifying number that is different from that of the outstanding notes. Purchasers of notes after the date of any further issue (other than further notes with a different identifying number) will not be able to differentiate between notes sold as part of the further issue and previously issued notes of such series. The Issuer may not issue additional notes if an Event of Default has occurred.

Modification and Waiver

Subject to certain exceptions, the Issuer and the Fiscal Agent with the consent of the registered holders of at least a majority in aggregate principal amount of outstanding notes of each series affected thereby (including consents obtained in connection with a tender offer or exchange offer for the notes) may amend the Fiscal Agency Agreement and the notes, and the registered holders of at least a majority in aggregate principal amount of outstanding notes of each series affected thereby may waive any past default or compliance with any provisions of the Fiscal Agency Agreement and any tranche of notes (except a default in the payment of principal, premium, interest, including additional amounts, if any, and provisions of the Fiscal Agency Agreement which cannot be amended without the consent of each holder of an outstanding note of any tranche of notes). However, without the consent of each holder of each outstanding note of such series affected thereby, no amendment may, among other things,

(1) reduce the amount of notes of such series whose holders must consent to an amendment or waiver,

(2) reduce the rate of, or extend the time for payment of, interest, including additional amounts, if any, on, any note of such series,

(3) reduce the principal of, or extend the stated maturity of, any note of such series,

(4) make any note payable in money other than that stated in the note of such series,

(5) impair the right of any holder of the notes of such series to receive payment of principal of, premium, if any, and interest, including additional amounts, if any, on, such holder's notes of such series on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's notes of such series,

(6) reduce the amount payable upon the redemption of any note of such series once notice of redemption has been given, or change the time at which it must thereupon be redeemed,

(7) modify or change any provision of the Fiscal Agency Agreement affecting the ranking of the notes of such series, or

(8) amend or modify the provisions described under "— Additional Amounts."

The Fiscal Agency Agreement and the notes of any series then outstanding may be amended by the Issuer and the Fiscal Agent without the consent of any holder of the notes such series to:

(1) cure any ambiguity, omission, defect or inconsistency,

(2) provide for the assumption by the successor Person of the obligations of the Issuer under the Fiscal Agency Agreement, as contemplated by "— Covenants — Consolidation, Merger and Sale of Assets,"

(3) add any guarantees with respect to the notes of such series as provided or permitted by the terms of the Fiscal Agency Agreement,

(4) secure the notes of such series, add to the covenants of the Issuer for the benefit of the holders of the notes of such series or surrender any right or power conferred upon the Issuer,

(5) make any change that does not adversely affect the rights of any holder of the notes of such series, or

(6) provide for the issuance of additional notes of such series in accordance with the Fiscal Agency Agreement as contemplated in "— Further Issues."

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment becomes effective, the Issuer is required to mail to each registered holder of the notes at such holder's address appearing in the Security Register a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

Meeting of the Holders

If at any time the holders of at least 10% in principal amount of the then outstanding notes of a relevant series request the Fiscal Agent to call a meeting of the holders for any purpose, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the fiscal agent will call the meeting for such purpose. This meeting will be held at the time and place determined by us, and specified in a notice of such meeting furnished to the holders. This notice must be given at least thirty (30) days and not more than sixty (60) days prior to the meeting.

At any meeting of holders, other than a meeting to discuss a Reserved Matter the persons entitled to vote more than 50% of the aggregate principal amount of the outstanding notes normally shall constitute a quorum. However, if a meeting is adjourned for lack of a quorum, then holders or proxies representing not less than 25% of the aggregate outstanding notes will constitute a quorum when the meeting is rescheduled. For purposes of a meeting of holders that proposes to discuss Reserved Matters, holders or proxies representing not less than 75% of the aggregate principal amount of notes outstanding will constitute a quorum.

Special Rules for Action by Holders

When holders take any action under the Fiscal Agency Agreement, such as giving a notice of an Event of Default, declaring an acceleration, approving any change or waiver or giving the Fiscal Agent an instruction, the Issuer will apply the following rules.

Only Outstanding Notes are Eligible

Only holders of outstanding notes will be eligible to participate in any action by holders. Also, the Issuer will count only outstanding notes in determining whether the various percentage requirements for taking action have been met. For these purposes, a note will not be "outstanding" if it has been surrendered for cancellation or if the Issuer has deposited or set aside, in trust for its holder, money for its payment or redemption; *provided, however*, that, for such purposes, notes held by the Issuer or its affiliates are not considered outstanding.

Determining Record Dates for Action by Holders

The Issuer will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the Fiscal Agency Agreement. In some limited circumstances, only the Fiscal Agent will be entitled to set a record date for action by holders. If the Issuer or the Fiscal Agent set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that the Issuer specifies for this purpose, or that the Fiscal Agent specifies if it sets the record date. The Issuer or the Fiscal Agent, as applicable, may shorten or lengthen this period from time to time, but not beyond 90 days.

Satisfaction and Discharge

The Issuer will be discharged from its obligations on the notes of a series, other than its obligation to register the transfer or exchange of notes of such series, if:

(1) the Issuer delivers all outstanding notes of such series to the Fiscal Agent for cancellation; or

(2) all notes of such series not so delivered for cancellation have either become due and payable or will become due and payable at their stated maturity within one year or are to be called for redemption within one year, and the Issuer has deposited with the Fiscal Agent in trust an amount of money in U.S. dollars or U.S. Government Obligations, or any combination thereof sufficient to pay the entire indebtedness of such notes, including interest to the stated maturity or applicable redemption date.

The Fiscal Agent will execute proper instruments acknowledging the satisfaction and discharge of the Fiscal Agency Agreement with respect to all the notes of such series upon delivery of an officer's certificate and legal opinion reasonably satisfactory to the Fiscal Agent.

Defeasance and Covenant Defeasance

The Issuer at any time may terminate all its obligations under the notes of any series and the Fiscal Agency Agreement ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes. The Issuer at any time may terminate its obligations to comply with the covenants described under "— Covenants — Negative Pledge," and "— Covenants — Consolidation, Merger and Sale of Assets" above, and to provide that any failure to comply with such obligations shall not constitute a default or an Event of Default above ("covenant defeasance"). The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Issuer exercises its legal defeasance option, payment of the notes may not be accelerated because of an Event of Default with respect thereto. If the Issuer exercises its covenant defeasance option, payment of the notes may not be accelerated because of an Event of Default specified in clause (iii) under "Events of Default" above or because of the failure of the Issuer to comply with its obligations under the covenants described under "— Covenants — Negative Pledge," and "— Covenants — Consolidation, Merger and Sale of Assets" above.

The legal defeasance option or the covenant defeasance option may be exercised only if:

(1) the Issuer irrevocably deposits in trust with the Fiscal Agent money in U.S. dollars or U.S. Government Obligations, or any combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants (at the Issuer's expense), for the payment of principal of, premium, if any, and interest on the notes to maturity or redemption, as the case may be and any amounts payable to the Fiscal Agent (in any of its capacities hereunder);

(2) the Issuer delivers to the Fiscal Agent an officer's certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the notes being defeased over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others;

(3) no Event of Default has occurred and is continuing on the date of such deposit and after giving effect thereto (other than an Event of Default resulting from the borrowing of funds to be applied to such deposit);

(4) such deposit does not constitute a default under any other material agreement or instrument binding on the Issuer;

(5) in the case of the legal defeasance option, the Issuer delivers to the Fiscal Agent an opinion of counsel reasonably acceptable to the Fiscal Agent confirming that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (ii) since the date of the Fiscal Agency Agreement there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the beneficial owners of notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same time as would have been the case if such legal defeasance had not occurred;

(6) in the case of the covenant defeasance option, the Issuer delivers to the Fiscal Agent: an opinion of counsel reasonably acceptable to the Fiscal Agent confirming that the beneficial owners of notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same time as would have been the case if such covenant defeasance had not occurred; and

(7) the Issuer delivers to the Fiscal Agent an officer's certificate and a legal opinion, each stating that all conditions precedent to the defeasance and discharge of the notes have been complied with as required by the Fiscal Agency Agreement.

Cancellation

The Issuer at any time may deliver to the Fiscal Agent for cancellation any notes previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and may deliver to the Fiscal Agent for cancellation any notes previously authenticated which the Issuer has not issued and sold. The Fiscal Agent will cancel all notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures. The Issuer may not issue new notes to replace notes it has paid in full or delivered to the Fiscal Agent for cancellation.

Purchases

The Issuer may, in accordance with all applicable laws and regulations, at any time purchase any notes in the open market or otherwise, without any limitation as to price or quantity, including in connection with a tender offer.

Fiscal Agent, Paying Agent and Registrar

The name of the initial Fiscal Agent and its specified office are set forth below:

Citibank, N.A., London Branch
13th Floor, Citigroup Centre, Canada Square
Canary Wharf, London E14 5LB
United Kingdom

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, paying Agent, the transfer agent or registrar and to appoint additional or other paying agents, provided that the Issuer shall at all times maintain (i) a fiscal agent, (ii) paying agents having specified offices in at least two major European cities, (iii) a paying agent in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any other EU Directive on the taxation of savings income (which may be any of the paying agents referred to in the foregoing clauses) implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, or pursuant to any law implementing or complying with, or introduced in order to conform to, such Directive and (iv) a paying agent in New York City.

In acting under the Fiscal Agency Agreement, and in connection with the notes, the Fiscal Agent, paying agent, any transfer agent or registrar, and any additional or successor fiscal agent, transfer agents, paying agents or registrars, are acting solely as agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with the owners or holders, except that any funds held by any paying agent for payment of principal of or interest on the notes shall be held in trust by it for the persons entitled thereto and applied as set forth in the Fiscal Agency Agreement and in the notes, but need not be segregated from other funds held by it except as required by law. For a description of the duties and the immunities and rights of any Fiscal Agent, paying agent, transfer agent or registrar under the Fiscal Agency Agreement, reference is made to the Fiscal Agency Agreement, and the obligations of any Fiscal Agent, paying agent, transfer agent and registrar to the holder are subject to such immunities and rights.

Governing Law and Jurisdiction

The Fiscal Agency Agreement and the notes are governed by, and shall be construed in accordance with, the laws of the State of New York. The Issuer has irrevocably submitted to the non-exclusive jurisdiction of any state or U.S. federal court located in the City of New York, and County of New York, in relation to any legal action or proceeding (i) arising out of, related to or in connection with the notes. The Issuer has appointed as its authorized agent for service of process in any such suit or action: IPR-GDF Suez North America, Inc., c/o Capitol Services, Inc., 1218 Central Avenue, Suite 100, Albany NY 12205, Attention: General Counsel.

BOOK-ENTRY, DELIVERY AND FORM

General

Notes of each tranche that are initially offered and sold in the United States to QIBs will be represented by beneficial interests in one or more global notes (the “Rule 144A global notes”) in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co. as nominee of DTC. DTC is referred to as the “depositary.” You will hold beneficial interests in the notes through DTC in book-entry form. This means that the Issuer will not issue certificates to each holder.

Notes of each tranche that are offered and sold in reliance on Regulation S will be represented by beneficial interests in one or more global notes (the “Regulation S global notes”) in registered form without interest coupons, which will be deposited on or about the Issue Date with the custodian for and registered in the name of Cede & Co., as nominee of DTC.

Beneficial interests in the global notes may be held only through DTC (or any successor clearing system) and its participants Euroclear and Clearstream, Luxembourg. Investors may hold their interests in the global notes directly through DTC if they are participants in or indirectly through organizations which are participants in such system. As used in this offering memorandum, “global notes” refers to both the Rule 144A global notes and the Regulation S global notes.

So long as DTC or its nominee is the registered holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the applicable global note for all purposes under the Fiscal Agency Agreement and the notes (except as the context otherwise requires in respect of additional amounts). The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth therein and in the Fiscal Agency Agreement and will bear a legend regarding such restrictions as set forth under “Notice to Investors.” Under certain circumstances, transfers may be made only upon receipt by the transfer agent of a written certification (in the form set out in the Fiscal Agency Agreement).

The Fiscal Agent will send any notices in respect of the Notes held in book-entry form to DTC or its nominee.

Neither DTC nor its nominee will consent or vote with respect to the Notes unless authorized by a participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns DTC’s or its nominee’s consenting or voting rights to those participants to whose account the Notes are credited on the record date.

Transfers within Global Notes

Subject to the procedures and limitations described herein, including under “Notice to Investors,” transfers of beneficial interests within a global note may be made without delivery to the Issuer or the Fiscal Agent of any written certifications or other documentation by the transferor or transferee.

Each Global Note (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein described under “Notice to Investors.”

Transfers between the Global Notes

A beneficial interest in the Rule 144A global note may be transferred to a person who wishes to take delivery of such beneficial interest through the Regulation S global note, only upon receipt by the transfer agent of a written certification (in the form set out in the Fiscal Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or, in the case of an exchange occurring following the expiration of the distribution compliance period, Rule 144.

Prior to the expiration of the distribution compliance period, a beneficial interest in the Regulation S global note may be transferred to a person who wishes to take delivery of such beneficial interest through the Rule 144A global note only upon receipt by the transfer agent of a written certification (in the form set out in the Fiscal Agency

Agreement) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. After the expiration of the distribution compliance period, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to applicable transfer restrictions under the Securities Act and the laws of any state of the United States and other jurisdictions.

Any beneficial interest in the Rule 144A global note or the Regulation S global note that is transferred to a person who takes delivery in the form of a beneficial interest in the other global note will, upon transfer, cease to be a beneficial interest in such global note and become a beneficial interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other global note for so long as such person retains such an interest.

Transfers or Exchanges from Global Notes to Definitive Notes

No global note may be exchanged in whole or in part for notes in definitive registered form ("Definitive notes") unless:

- the depositary notifies the Issuer that it is unwilling or unable to hold the applicable global note or the depositary ceases to be a clearing agency registered under the Exchange Act, and in each case the Issuer does not appoint a successor depositary which shall be registered under the Exchange Act within 90 days;
- a payment default has occurred and is continuing;
- in the event of a bankruptcy default, the Issuer fails to make payment on the notes when due; or
- the Issuer shall have determined in its sole discretion that the notes shall no longer be represented by the applicable Global notes.

The holder of a Definitive note may transfer such note by surrendering it at the specified office of the registrar or any transfer agent. Upon the transfer, exchange or replacement of Definitive notes bearing the applicable legend set forth under "Notice to Investors," or upon specific request for removal of such legend on a Definitive Note, the Issuer will deliver only Definitive notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Each such Definitive note will include terms substantially in the form of those set forth in the Fiscal Agency Agreement. Except as set forth in this paragraph, no global note may be exchanged in whole or in part for Definitive notes.

Clearing and Settlement

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC as currently in effect. The information about DTC set forth below has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any of the initial purchasers takes any responsibility for the accuracy of the information. Neither the Issuer nor any of the initial purchasers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in notes held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The description of the clearing systems in this section reflects the Issuer's understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

Under the rules, regulations, and procedures creating and affecting DTC and its operations (the "Rules"), DTC is required to make book-entry transfers of notes among DTC participants on whose behalf it acts with respect to notes accepted into DTC's book-entry settlement system as described below (the "DTC Notes") and to receive and transmit distributions of the nominal amount and interest on the DTC Notes. DTC participants and indirect DTC participants with which beneficial owners of DTC Notes ("owners") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective owners. Accordingly, although owners who hold DTC Notes through DTC participants or indirect DTC participants will not possess notes, by virtue of the requirements described above the Rules provide a mechanism by which such owners will receive payments and will be able to transfer their interests with respect to the notes.

Transfers of ownership or other interests in the notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the notes. DTC's records reflect only the identity of the DTC participants to whose accounts the notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the notes to their customers.

So long as DTC, or its nominee, is the registered holder of a global note, payments on the applicable notes will be made in immediately available funds to DTC. DTC's practice is to credit DTC participants' accounts on the applicable payment date in accordance with their respective holdings shown on its records, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of the DTC participants and not of DTC, or any other party, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the paying agent. Disbursement of payments for DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the notes holding through DTC will hold interests in the notes through DTC participants or indirect DTC participants, the ability of the owners of the beneficial interests to pledge notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the notes, may be limited.

DTC will take any action permitted to be taken by an owner only at the direction of one or more DTC participants to whose account with DTC such owner's notes are credited. Additionally, DTC has advised the Issuer that it will take such actions with respect to any percentage of the beneficial interest of owners who hold notes through DTC participants or indirect participants only at the direction of and on behalf of DTC participants whose account holders include undivided interests that satisfy any such percentage.

To the extent permitted under applicable law and regulations, DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC participants whose account holders include such undivided interests.

Ownership of interests in the global notes will be shown on, and the transfer of those ownership interests will be effected only through records maintained by, DTC, the DTC participants and the indirect DTC participants, including Euroclear and Clearstream, Luxembourg. Transfers between participants in DTC, as well as transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with DTC rules.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between DTC, on the one hand, and participants in Euroclear and Clearstream, Luxembourg on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear and Clearstream, Luxembourg as the case may be. Such cross-market transactions, however, will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to DTC to take action to effect final settlement on its behalf by delivering or receiving payment in accordance with DTC's Same-Day Funds Settlement System.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC Participant will be credited during the business day immediately following the

DTC settlement date, and the credit of any transaction's interests in the Global Note settled during such business day will be reported to the relevant Euroclear or Clearstream participant on that day.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants of DTC, Euroclear and Clearstream, Luxembourg they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Upon the issue of a global note deposited with DTC or a custodian therefore, DTC or its custodian, as the case may be, will credit, on its internal system, the respective nominal amount of the individual beneficial interest represented by such relevant DTC Note or Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant dealers. Ownership of beneficial interest in a DTC Note will be limited to DTC participants or indirect DTC participants, including Euroclear and Clearstream, Luxembourg.

Ownership of beneficial interests in DTC Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC Participants (with respect to interests of indirect DTC participants).

Investors that hold their interests in a DTC Note will follow the settlement procedures applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Secondary Market

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date. Secondary market trading between DTC participants will be settled using the procedures applicable to global bond issues in same-day funds.

Limitation on Responsibilities

Although the foregoing sets out the procedures of the depositaries established in order to facilitate the transfer of interests in the global notes among their participants, none of the depositaries is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

DTC has no knowledge of the actual beneficial owners of interests in a global note. DTC's records reflect only the identity of the DTC participants to whose accounts those global notes are credited, which may or may not be the beneficial owners of interests in a global note.

None of the Issuer, the initial purchasers, nor any of their respective agents will have any responsibility for the performance by any depositary or their respective participants of their respective obligations under the rules and procedures governing their operations.

Payments

So long as any of the notes remains outstanding, the Issuer will maintain in New York City, an office or agency (a) where the notes may be presented for payment, (b) in the case of the Issuer, where the notes may be presented for registration of transfer and for exchange and (c) where notices and demands to or upon the Issuer or the Fiscal Agent may be served. The Issuer also shall maintain a similar office or agency hereunder in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Council Directive

2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting of November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive. The Issuer will give the Fiscal Agent written notice of the location of any such office or agency and of any change of location thereof. The Issuer will initially designate the Fiscal Agent for such purposes.

The Issuer may also from time to time designate one or more other offices or agencies where the notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of any obligation to maintain offices or agencies in the Borough of Manhattan, the City of New York and the European Union member state described above for such purposes. The Issuer shall give written notice to the Fiscal Agent of any such designation or rescission and of any such change in the location of any other office or agency.

A holder of notes may transfer or exchange notes in accordance with their terms. The Fiscal Agent will not be required to accept for registration or transfer any notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer may from time to time agree with the Fiscal Agent.

Notwithstanding any statement herein, the Issuer reserves the right to impose or remove such transfer, certification, substitution or other requirements, and to require such restrictive legends on the notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws or as may be required by any stock exchange on which the notes are listed.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of notes and any other expenses (including the fees and expenses of the Fiscal Agent). No service charge will be made for any such transaction.

The Fiscal Agent will not be required to exchange or register a transfer of (i) any notes for a period of 15 calendar days ending on the due date for any payment of principal in respect of the notes or the first mailing of any notice of redemption of notes to be redeemed, or (ii) any notes selected, called or being called for redemption.

The notes will be issued in registered form without coupons and transferable in denominations of U.S.$2,000 and integral multiples of U.S.$1,000 in excess thereof.

The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in the global notes is limited to such extent.

TAXATION

The following summary contains a description of certain European, French and U.S. federal income tax consequences of the purchase, ownership and disposition of the notes, but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. This summary (other than the discussion of the European Union Savings Directive described below) does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States and the Republic of France.

This summary is based on the tax laws of the Republic of France and the United States as in effect on the date of this offering memorandum, as well as on rules and regulations of the Republic of France and regulations, rulings and decisions of the United States available on or before such date and now in effect. All of the foregoing are subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Persons considering the purchase of notes should consult their tax advisors as to the European Union, French, United States or other tax consequences of the purchase, ownership and disposal of the notes, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local or other tax laws.

European Union Tax Considerations

On June 3, 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"). Pursuant to the Savings Directive and subject to a number of conditions being met, Member States have been required, since July 1, 2005, to provide to the tax authorities of another Member State, *inter alia*, details of payments of interest within the meaning of the Savings Directive (interest, premiums or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, individual residents or certain limited types of entities established in that other Member State (the "Disclosure of Information Method").

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Savings Directive, for the immediate benefit of individuals.

However, for a transitional period, certain Member States (Luxembourg and Austria), instead of using the Disclosure of Information Method used by other Member States, withhold an amount on interest payments unless the relevant beneficial owner of such payment elects for the Disclosure of Information Method or for a tax certificate procedure. The rate of such withholding is currently 35%. Such transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on April 18, 2002 (the "OECD Model Agreement") with respect to interest payments within the meaning of the Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect since July 1, 2005.

On November 13, 2008, the European Commission published a detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on April 24, 2009. If any of these proposed changes is made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

French Tax Considerations

The following is a summary of certain tax considerations that may be relevant to holders of notes that (i) are non-French residents for French tax purposes, (ii) do not hold their notes in connection with a business or profession conducted in France through a permanent establishment or a fixed base in France and (iii) do not hold shares of the Issuer.

Payments on the notes

Article 242-*ter* of the *Code général des impôts* (French General Tax Code) and Articles 49 I-*ter* to 49 I-*sexies* of Schedule III of the *Code général des impôts*, impose an obligation on paying agents based in France to report to the French tax authorities certain information with respect to interest payments made, including, among other things, the identity and address of the beneficial owner and, if that beneficial owner is domiciled in another Member State, a detailed list of the different categories of interest paid to that beneficial owner.

Pursuant to Article 125 A III of the *Code général des impôts*, payments of interest and other revenues made by a debtor with respect to notes will not be subject to the withholding tax set out under Article 125 A III unless such payments are made outside France in a non-cooperative State or territory within the meaning of Article 238-0 A of the *Code général des impôts* (a "Non-Cooperative State"), in which case a 50% withholding tax will be applicable, irrespective of the tax residence of the holder of the notes if such payments are made by way of a bank transfer (*inscription en compte*), subject to exceptions (certain of which are set forth below) and to the more favorable provisions of any applicable double tax treaty. The list of Non-Cooperative States is published by a ministerial executive order, which is updated on a yearly basis.

Furthermore, pursuant to Article 238 A of the *Code général des impôts*, interest and other revenues on notes paid or accrued to persons domiciled or established in a Non-Cooperative State or paid to a bank account opened in a financial institution located in a Non-Cooperative State may not be deductible from the debtor's taxable income. Under certain conditions, any such non-deductible interest or other revenues may be re-characterized as constructive dividends pursuant to Articles 109 et seq. of the Code général des impôts, in which case they may be subject to the withholding tax set out under Article 119-bis 2 of the same Code, at a rate of 30% or 55%, subject to the more favorable provisions of any applicable double tax treaty.

Notwithstanding the foregoing, neither the 50% withholding tax set out under Article 125 A III of the *Code général des impôts* nor, provided that the relevant interest or other revenues relate to a genuine transaction and are not in an abnormal or exaggerated amount, the withholding tax described in the preceding paragraph will apply in respect of a particular issue of notes, provided that the debtor can prove that the main purpose and effect of such issue of notes is not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "Safe Harbor").

Under Ruling (*rescrit*) 2010/11 (FP and FE) of the *Direction générale des finances publiques* dated February 22, 2010, an issue of notes benefits from the Safe Harbor without the debtor having to provide any proof of the main purpose and effect of such issue of notes, if such notes are:

(i) offered by means of a public offer within the meaning of Article L. 411-1 of the *Code monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

(ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(iii) admitted, at the time of their issue, to the clearing operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the *Code* *monétaire et financier*, or of one or more similar foreign depositaries or operators provided that such depositaries or operators are not located in a Non-Cooperative State.

As the notes are admitted at the time of their issue to the operations of a central depositary and as this central depositary will not be located in a Non-Cooperative State, payments of interest or other securities income made by or on our behalf with respect to the notes will not be subject to the withholding tax set out under Article 125 A III of the *Code général des impôts*. In addition, they will be subject neither to the non-deductibility set out under Article 238 A of the *Code général des impôts* nor to the withholding tax set out under Article 119-*bis* 2 of the same Code solely on account of their being paid to a bank account opened in a financial institution located in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

Sale, disposal or redemption of the notes

Holders of notes will not be subject to any French income tax or capital gains tax on the sale, disposal or redemption of notes. In addition, no stamp or registration fee or duty or similar taxes will be payable in France in connection with the sale, disposal or redemption of notes.

Certain United States Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the notes. This tax disclosure was written in connection with the promotion or marketing of the notes by the Company, and it cannot be used by any taxpayer for the purpose of avoiding penalties that may be asserted against the taxpayer under the Internal Revenue Code of 1986, as amended (the "Code"). Taxpayers should seek their own advice based on their particular circumstances from independent tax advisers.

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the notes. This discussion applies only to initial U.S. Holders that (i) purchase notes in this offering at the "issue price," which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money and (ii) hold the notes as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of the Medicare contribution tax and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding notes as part of a straddle or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities; or
- persons holding notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding notes and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As used herein, a "U.S. Holder" is a person that for U.S. federal income tax purposes is a beneficial owner of a note and is:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest. It is expected, and therefore this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes. Interest on a note (including any Additional Amounts paid pursuant to the obligations described in "Description of the Notes—Payment of Additional Amounts") will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income earned by a U.S. Holder with respect to a note will constitute foreign-source income for foreign tax credit purposes, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation.

Sale, Retirement or Other Taxable Disposition of the Notes. Upon the sale, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized on the sale, retirement or disposition and the U.S. Holder's tax basis in the note. For these purposes, the amount realized does not include any amount attributable to accrued interest, which will be treated as interest as described under "—Payments of Interest" above. A U.S. Holder's tax basis in the note generally will equal its cost. Gain or loss realized on the sale, retirement or other taxable disposition of a note will generally be U.S.-source capital gain or loss and will be long-term capital gain or loss if at the time of the sale, retirement or disposition the U.S. Holder has held the note for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments of interest and proceeds from the sale of a note that are made within the United States or through one of certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

UNITED STATES BENEFIT PLAN INVESTOR CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the U.S. Internal Revenue Code of 1986, (the "Code"), impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include "plan assets" by reason of any such account's, plan's or arrangement's investment therein (we refer to the foregoing collectively as "Plans") and (d) persons who are fiduciaries with respect to Plans. In addition, governmental plans, non-U.S. plans and church plans ("Non-ERISA Arrangements") are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to non-U.S., state, local and other federal laws or regulations that are substantially similar to those provisions (each, a "Similar Law").

Investments by Plans subject to Title I of ERISA must comply with ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification, and the requirement that such plan's investments be made in accordance with the documents governing the Plan. In addition to ERISA's general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, i.e., "parties in interest" as defined in ERISA or "disqualified persons" as defined in Section 4975 of the Code (we refer to the foregoing collectively as "parties in interest") unless statutory or administrative exemptive relief is available. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Such parties in interest may include, without limitation, us, the initial purchasers, the Fiscal Agent, the paying agent, the registrar and any of our or their respective affiliates. Thus, a Plan fiduciary considering an investment in the notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between a party in interest and an investing Plan which would be prohibited unless exemptive relief were available.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase the notes, should consider the exemptive relief available under the following prohibited transaction class exemptions, or PTCEs: (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the notes and related lending transactions, provided that neither the party in interest nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the notes.

Each acquiror or holder of a note, and each fiduciary who causes any entity to purchase or hold a note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such notes, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding the notes on behalf of, or with the assets of, any Plan or Non-ERISA arrangement; or (ii) its purchase, holding and subsequent disposition of such notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any provision of Similar Law.

Fiduciaries of any Plans and Non-ERISA Arrangements should consult their own legal counsel before purchasing the notes.

Each purchaser of a note will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Note does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

TRANSFER RESTRICTIONS

The following restrictions will apply to the notes. Prospective investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the notes offered hereby:

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Accordingly, the notes are being offered and sold only (i) to QIBs (as defined in Rule 144A), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and (ii) in offers and sales that occur outside the United States to purchasers who are not U.S. persons in reliance on Regulation S (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein).

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

By its purchase of notes, each purchaser of notes (other than the initial purchasers) will be deemed to:

1. Represent that it is not an "affiliate", as defined under Rule 144A, of the Issuer or acting on its behalf and that it (A)(i) is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it, (ii) is a QIB, and (iii) is aware that the sale to it is being made in reliance on Rule 144A, (and is acquiring such notes for its own account or for the account of another QIB) or (B) is not a U.S. person and is purchasing the notes in an offshore transaction pursuant to Regulation S.

2. Acknowledge and understand that the notes have not been registered under the Securities Act or any other applicable securities laws and that the notes are being offered for resale in a transaction not requiring registration under the Securities Act or any other securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

3. Understand and agree that if in the future it decides to offer, resell, pledge or otherwise transfer any of the notes or any beneficial interest in the notes, it will only do so (i) to the Issuer or any of its subsidiaries, (ii) for so long as the notes are eligible pursuant to Rule 144A under the Securities Act, in the United States to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 904 under the Securities Act, (iv) pursuant to another available exemption from registration under the Securities Act, (v) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (v) in accordance with any applicable securities laws of any state of the United States. Subject to the procedures set forth under "Book-Entry, Delivery and Form", prior to any proposed transfer of any note the holder thereof must confirm the manner of such transfer and submit the note to the fiscal agent.

4. Agree that it will deliver to each person to whom it transfers notes notice of any restrictions on transfer of such notes.

5. If it is not a U.S. person outside the United States, understand that the notes offered under Regulation S will be represented by one or more Regulation S global notes, which will initially be restricted as described under "Book-entry, Delivery and Form" for a period ending 40 days after the later of the commencement of the offering and the closing date. If it is a QIB, it understands that the notes offered in reliance of Rule 144A will be represented by one or more Rule 144A global notes (together with the Regulation S global notes, the "global notes"). Before any interest in the global notes may be offered, sold, pledged or otherwise transferred to a purchaser outside the United States in compliance with Rule 904 under the Securities Act, the transferor will be required to provide the fiscal agent with a written certificate (the form of which certification can be obtained from the fiscal agent) as to compliance with the transfer restriction referred to above.

6. Understand that the notes will, until the expiration of the applicable holding period with respect to the notes set forth in Rule 144(k) of the Securities Act, bear a legend to the following effect unless otherwise agreed by the Issuer and the holder thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY OR ANY INTEREST THEREIN BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY OR ANY INTEREST THEREIN, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER," THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, IN A PRINCIPAL AMOUNT OF NOT LESS THAN U.S.$100,000, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 UNDER REGULATION S UNDER THE SECURITIES ACT, (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE RECEIPT BY THE ISSUER OF AN OPINION OF COUNSEL THAT SUCH SALE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND; AND (4) REPRESENTS AND WARRANTS THAT EITHER (A)(I) IT IS ARE NEITHER (W) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (X) AN INDIVIDUAL RETIREMENT ACCOUNT, KEOGH PLAN OR OTHER ARRANGEMENT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (Y) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH ACCOUNT'S, PLAN'S OR ARRANGEMENT'S INVESTMENT THEREIN (EACH, A "**PLAN**") NOR (Z) A GOVERNMENTAL PLAN, NON-U.S. PLAN OR CHURCH PLAN (EACH, A "**NON-ERISA ARRANGEMENT**") THAT IS NOT SUBJECT TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE BUT THAT MAY BE SUBJECT TO NON-U.S., STATE, LOCAL OR OTHER FEDERAL LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THOSE PROVISIONS (EACH, A "**SIMILAR LAW**") AND (II) IT IS NOT PURCHASING OR HOLDING THE NOTES ON BEHALF OF, OR WITH THE ASSETS OF ANY PLAN OR NON-ERISA ARRANGEMENT OR (B) ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF SUCH NOTES SHALL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY PROVISION OF SIMILAR LAW. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY THE ISSUER, THE FISCAL AND PAYING AGENT OR ANY AFFILIATE OF SUCH PERSONS, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE

HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO THE FISCAL AND PAYING AGENT. THE FISCAL AND PAYING AGENCY AGREEMENT CONTAINS PROVISIONS REQUIRING THE FISCAL AND PAYING AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS. AS USED HEREIN, THE TERM "UNITED STATES" HAS THE MEANING GIVEN TO IT BY REGULATION S UNDER THE SECURITIES ACT".

7. Understand that if it is acquiring the notes in a sale being made in reliance upon Regulation S, the notes will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S with respect to the notes, bear a legend to the following effect unless otherwise agreed by the Issuer and the holder thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS SECURITY FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION, (2) BY ITS ACCEPTANCE HEREOF, AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 UNDER REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE RECEIPT BY THE ISSUER OF AN OPINION OF COUNSEL THAT SUCH SALE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND. THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DAY ON WHICH THE SECURITIES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING, AND (4) REPRESENTS AND WARRANTS THAT EITHER (A)(I) IT IS ARE NEITHER (W) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (X) AN INDIVIDUAL RETIREMENT ACCOUNT, KEOGH PLAN OR OTHER ARRANGEMENT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (Y) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH ACCOUNT'S, PLAN'S OR ARRANGEMENT'S INVESTMENT THEREIN (EACH, A "**PLAN**") NOR (Z) A GOVERNMENTAL PLAN, NON-U.S. PLAN OR CHURCH PLAN (EACH, A "**NON-ERISA ARRANGEMENT**") THAT IS NOT SUBJECT TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE BUT THAT MAY BE SUBJECT TO NON-U.S., STATE, LOCAL OR OTHER FEDERAL LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THOSE PROVISIONS (EACH, A "**SIMILAR LAW**") AND (II) IT IS NOT PURCHASING OR HOLDING THE NOTES ON BEHALF OF, OR WITH THE ASSETS OF ANY PLAN OR NON-ERISA ARRANGEMENT OR (B) ITS PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF SUCH NOTES SHALL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF ANY PROVISION OF SIMILAR LAW. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED

STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.”

IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THIS SECURITY WAS HELD BY THE ISSUER, THE FISCAL AND PAYING AGENT OR ANY AFFILIATE OF SUCH PERSONS, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS SECURITY TO THE FISCAL AND PAYING AGENT. THE FISCAL AND PAYING AGENCY AGREEMENT CONTAINS PROVISIONS REQUIRING THE FISCAL AND PAYING AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS SECURITY IN VIOLATION OF THE FOREGOING RESTRICTIONS. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION”, “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT”.

8. Acknowledge that the notes have not been offered to it by means of any general solicitation or general advertising, or any “directed selling efforts” as defined in Regulation S.

9. Represent and agree that, if it is a resident of the European Economic Area, it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive or that it itself is are acquiring notes for a total consideration of not less than €100,000.

10. Represent and agree that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

11. Represent and agree that (i) it is able to fend for itself in the transactions contemplated by this offering memorandum; (ii) no other representation with respect to the offer or sale of the notes has been made, other than the information contained in this offering memorandum; (iii) the investment decision is solely based on the information contained in the offering memorandum; (iv) the initial purchasers and any person representing any of them, have made no representation or warranty as to the accuracy or completeness of this offering memorandum; and (v) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment and can afford the complete loss of such investment.

12. Represent and agree that it has received a copy of this offering memorandum and acknowledge that it has had access to such financial and other information and has been afforded the opportunity to ask questions of the Issuer and receive answers thereto, as it deemed necessary in connection with its decision to purchase the notes.

13. Acknowledge that this offering memorandum has been prepared on the basis that all offers of notes will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus for offers of securities.

14. Acknowledge that this offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (as amended, the “Financial Promotions Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Financial Promotions Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

15. Acknowledge that the Issuer, the initial purchasers and others will rely upon the truth and accuracy of its foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the

acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the notes is no longer accurate, it shall promptly notify the Issuer and the initial purchasers. If it is acquiring any notes as a fiduciary or agent of one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.

Understand that no action has been taken in any jurisdiction (including the United States) by us or the initial purchasers that would result in a public offering of the notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the notes will be subject to the selling restrictions set forth under "Transfer Restrictions."

For further discussion of the requirements (including the presentation of transfer certificates) under the fiscal agreement to effect exchanges or transfers of interests in the global notes, see "Book-Entry, Delivery and Form".

PLAN OF DISTRIBUTION

J.P. Morgan Securities LLC, RBS Securities Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mitsubishi UFJ Securities (USA), Inc. are acting as joint book-running managers and representatives of the initial purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated October 2, 2012, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to such initial purchaser, the principal amount of the notes set forth opposite the initial purchaser's name.

Initial Purchasers	Principal Amount of 2017 Notes	Principal Amount of 2022 Notes
J.P. Morgan Securities LLC	U.S.$ 198,750,000	U.S.$ 198,750,000
RBS Securities Inc.	161,250,000	161,250,000
Citigroup Global Markets Inc.	105,000,000	105,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	105,000,000	105,000,000
Mitsubishi UFJ Securities (USA), Inc.	105,000,000	105,000,000
BNP Paribas Securities Corp.	18,750,000	18,750,000
Credit Agricole Securities (USA) Inc.	18,750,000	18,750,000
Natixis Securities Americas LLC.	18,750,000	18,750,000
SG Americas Securities, LLC	18,750,000	18,750,000
Total	$ 750,000,000	$ 750,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to certain conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have agreed that, from the date of this offering memorandum to the closing date, we will not, without the prior written consent of the representatives, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us.

The notes will constitute a new class of securities with no established trading market. We do not intend to list the notes on any national securities exchange. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will developed and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Notice to Investors." The price at which the notes are offered may be changed at any time without notice.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirement of the Securities Act. See "Notice to Investors."

Accordingly, in connection with sales outside the United States, each initial purchaser has agreed that, except as permitted by the purchase agreement and set forth in the "Notice to Investors," it will not offer or sell the notes within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, and it will have sent to each dealer to which it sells notes during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise that in accordance with Rule 144A.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering.
- Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses. Affiliates of the initial purchasers are lenders under our lending facilities and will receive a portion of the net proceeds from this offering used to repay borrowings under these facilities.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If the initial purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the initial purchasers against certain liabilities including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Selling Restrictions

European Economic Area

In relation to each Relevant Member State, an offer to the public of any notes which are the subject of the placement contemplated by this offering memorandum (the **“**Securities**”**) may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Securities may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive , and in compliance with Article 3.2(a) of the Prospectus Directive as amended, if applicable, by the implementation of the 2010 PD Amending Directive in the Relevant Member State;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers and the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Securities shall require us or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase any Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

The European Economic Area selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (“Qualified Investors”) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom.

Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

Each initial purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of the notes which are the subject of the placement contemplated by this offering memorandum in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

France

Neither this offering memorandum nor any other offering material relating to the notes described in this offering memorandum has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or by the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the notes has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France, or
- used in connection with any offer for subscription or sale of the notes to the public in France. Such offers, sales and distributions will be made in France only:
    - to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*,
    - to investment services providers authorized to engage in portfolio management on behalf of third parties (*personnes fournissant le service de gestion de portefeuille pour le compte de tiers*) as defined in Article L.411-2 II of the French *Code monetaire et financier*, or
    - in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The notes may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Japan

The notes offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan, and the initial purchasers have not offered or sold and will not offer or sell, directly or indirectly, the notes in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (2) in compliance with any other applicable requirements of Japanese law and any other applicable regulations and ministerial guidelines thereunder.

ENFORCEABILITY OF JUDGMENTS IN FRANCE AND SERVICE OF PROCESS

GDF SUEZ is a *société anonyme*, a limited liability corporation, incorporated under the laws of the Republic of France. The executive officers of GDF SUEZ are, and will continue to be, non-residents of the United States and substantially all of the assets of GDF SUEZ and such persons are located outside the United States. Although GDF SUEZ has appointed an agent for service of process in the United States, GDF SUEZ has been advised that there is a doubt that a foreign judgment based upon U.S. federal or state securities laws would be enforced in France. GDF SUEZ has also been advised that there is a doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in France.

The United States and France are not party to a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters.

Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France. A party in whose favor such judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*). Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non-ex parte*) proceedings if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter as the dispute is clearly connected to the U.S. and the choice of jurisdiction was not fraudulent;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case;
- such U.S. judgment is not tainted with fraud; and
- such U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France and there are no proceedings pending before French courts at the time enforcement of the judgment is sought and having the same or similar subject matter as such U.S. judgment.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French criminal law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 (relating to communication of documents and information of an economic, commercial, industrial, financial, or technical nature to foreign natural or legal persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, date files and individual liberties, as modified by law No. 2004-801 of August 6, 2004 as last modified by law No. 2011-334 of March 29, 2011) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply the designated law if its application contravenes French international public policy. Further, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to articles 14 and 15 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts (article 14) and can be sued by a foreign claimant before French courts (article 15). For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts jurisdiction towards French nationals is no longer mandatory to the extent an action has been commenced before a court in a jurisdiction which has sufficient contacts with the litigation and the choice of jurisdiction is not fraudulent. In addition, the French national may waive its rights to benefit from the provisions of articles 14 and 15 of the French Civil Code.

NOTICE TO INVESTORS

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the initial purchasers as follows:

1. It is:

   - a qualified institutional buyer, is aware that the sale of the notes to it is being made in reliance on Rule 144A and is acquiring the notes for its own account or for the account of a qualified institutional buyer; or

   - it is not a U.S. person and is purchasing the notes outside the United States in compliance with Regulation S.

2. It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the notes have not been registered under the Securities Act.

3. If it is acquiring the notes in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer notes prior to the date that is one year after the later of the original issue date of the notes and the last date on which the Issuer or any of its affiliates was the owner of that note (or any predecessor of that note) except:

   - to the Issuer;

   - inside the United States to a qualified institutional buyer in compliance with Rule 144A;

   - outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;

   - in a transaction complying with Rule 144 under the Securities Act (if available); or

   - pursuant to an effective registration statement under the Securities Act,

in each case in accordance with any applicable securities laws of any state of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those notes from it of the resale restrictions referred to above.

4. If it is acquiring the notes in a sale being made in reliance upon Rule 144A, it understands that the notes will, until one year after the later of the original issue date of the notes and the last date on which the Issuer or any of its affiliates was the owner of that note (or any predecessor of that note), unless otherwise agreed by the Issuer and the beneficial owner of such note, bear a legend substantially to the following effect:

> **"This security has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration.**

The holder of this security or any interest therein by its acceptance hereof (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security or any interest therein, prior to the date (the "resale restriction termination date") which is one year after the later of the original issue date hereof and the last date on which the Issuer or any affiliate of the Issuer was the owner of this security (or any predecessor of such security), only (a) to the Issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer," that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, in a principal amount of not less than U.S.$100,000 (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, (e) pursuant to another available exemption from the registration requirements of the Securities Act, subject to the receipt by the Issuer of an opinion of counsel that such sale or transfer is in compliance with the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend; and (4) represents and warrants that either (a)(i) it is are neither (A) an employee benefit plan that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (B) an individual retirement account, Keogh plan or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (C) an entity whose underlying assets include "plan assets" by reason of any such account's, plan's or arrangement's investment therein (each, a "Plan") nor (D) a governmental plan, non-U.S. plan or church plan (each, a "Non-ERISA Arrangement") that is not subject to Section 406 of ERISA or Section 4975 of the Code but that may be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to those provisions (each, a "Similar Law") and (ii) it is not purchasing or holding the notes on behalf of, or with the assets of any Plan or Non-ERISA Arrangement or (b) its purchase, holding and subsequent disposition of such notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any provision of Similar Law. This legend will be removed upon the request of the holder after the resale restriction termination date.

In connection with any transfer of this security within one year after the later of the original issuance of this security and the last date on which this security was held by the issuer, the Fiscal and Paying Agent or any affiliate of such persons, the holder must check the appropriate box set forth on the reverse hereof relating to the manner of such transfer and submit this security to the fiscal and Paying Agent. The Fiscal and Paying Agency Agreement contains provisions requiring the Fiscal and Paying Agent to refuse to register any transfer of this security in violation of the foregoing restrictions. As used herein, the term "United States" has the meaning given to it by Regulation S under the Securities Act."

5. If it is acquiring the notes in a sale being made in reliance upon Regulation S, it understands that the notes will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

"This security has not been registered under the United States Securities Act of 1933, as amended ("Securities Act"), or the securities laws of any state or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only

(a) to the Issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act or (e) pursuant to another available exemption from the registration requirements of the Securities Act, subject to the receipt by the Issuer of an opinion of counsel that such sale or transfer is in compliance with the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction, (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend, and (4) represents and warrants that either (a) it is neither (i)(a) an employee benefit plan that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (b) an individual retirement account, Keogh Plan or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or (c) an entity whose underlying assets include "plan assets" by reason of any such plan's or arrangement's investment therein (each, a "Plan"), (ii) a person who is a fiduciary with respect to plans nor (iii) a governmental plan, non-U.S. Plan or church plan (each, a "Non-ERISA Arrangement") that is not subject to Section 406 of ERISA or Section 4975 of the Code but may be subject to non-U.S., state, local and other federal laws or regulations that are substantially similar to those provisions (each, a "Similar Law") and it is not purchasing or holding the notes on behalf of, or with the assets ofm any plan or non-ERISA arrangement or (b) its purchase, holding and subsequent disposition of such notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any provision of similar law. This legend will be removed after 40 consecutive days beginning on and including the later of (a) the day on which the securities are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the date of the closing of the original offering. As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act.

In connection with any transfer of this security within one year after the later of the original issuance of this security and the last date on which this security was held by the issuer, the Fiscal and Paying Agent or any affiliate of such persons, the holder must check the appropriate box set forth on the reverse hereof relating to the manner of such transfer and submit this security to the fiscal and Paying Agent. The Fiscal and Paying Agency Agreement contains provisions requiring the Fiscal and Paying Agent to refuse to register any transfer of this security in violation of the foregoing restrictions. As used herein, the terms "offshore transaction", "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act."

6. If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the notes shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(k) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

7. It acknowledges that the Registrar will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

8. Each acquiror or holder of a note, and each fiduciary who causes any entity to purchase or hold a note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such notes, that either

(a)(i) it is are neither (A) an employee benefit plan that is subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), (B) an individual retirement account, Keogh plan or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), (C) an entity whose underlying assets include "plan assets" by reason of any such account's, plan's or arrangement's investment therein (each, a "**Plan**") nor (D) a governmental plan, non-U.S. plan or church plan (each, a "**Non-ERISA Arrangement**") that is not subject to Section 406 of ERISA or Section 4975 of the Code but that may be subject to non-U.S., state, local or other federal laws or regulations that are substantially similar to those provisions (each, a "**Similar Law**") and (ii) it is not purchasing or holding the notes on behalf of, or with the assets of any Plan or Non-ERISA Arrangement or (b) its purchase, holding and subsequent disposition of such notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any provision of Similar Law.

9. It acknowledges that the Issuer and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of notes are no longer accurate, it will promptly notify the Issuer and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Davis Polk & Wardwell LLP, our counsel, and for the initial purchasers by Shearman & Sterling LLP, counsel to the initial purchasers.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Issuer at December 31, 2011, 2010 and 2009 have been audited by Mazars, Ernst & Young et Autres and Deloitte & Associés.

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CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2012

Statements of Financial Position

	Notes	June 30, 2012	December 31, 2011
		(in millions of euros)	
Non-Current Assets			
Intangible assets, net	5	13,392	13,226
Goodwill	5	30,710	31,362
Property, plant and equipment, net	5	89,952	90,120
Available-for-sale securities	6	3,288	3,299
Loans and receivables at amortized cost	6	3,839	3,813
Derivative instruments	6	3,053	2,911
Investments in associates		2,953	2,619
Other non-current assets		1,173	1,173
Deferred tax assets		1,368	1,379
Total Non-Current Assets		**149,728**	**149,902**
Current assets			
Loans and receivables at amortized cost	6	1,406	1,311
Derivative instruments	6	5,571	5,312
Trade and other receivables, net	6	23,912	23,135
Inventories		5,114	5,435
Other current assets		8,377	9,455
Financial assets at fair value through profit or loss	6	1,004	2,885
Cash and cash equivalents	6	18,318	14,675
Assets classified as held for sale	2	660	1,298
Total Current Assets		**64,362**	**63,508**
Total Assets		**214,090**	**213,410**

NB: Amounts in tables are generally expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

	Notes	June 30, 2012	December 31, 2011
		(in millions of euros)	
Shareholders' equity		62,217	62,930
Non-controlling interests		11,440	17,340
Total Equity		**73,657**	**80,270**
Non-current liabilities			
Provisions		14,723	14,431
Borrowings and debt	6	43,988	43,375
Derivative instruments	6	3,781	3,310
Other financial liabilities	6	343	684
Other liabilities		2,120	2,202
Deferred tax liabilities		12,492	13,038
Total Non-Current Liabilities		**77,447**	**77,040**
Current liabilities			
Provisions		1,786	1,751
Borrowings and debt	6	21,826	13,213
Derivative instruments	6	5,160	5,185
Trade and other payables	6	17,656	18,387
Other liabilities		16,155	16,738
Liabilities directly associated with assets classified as held for sale	2	403	827
Total Current Liabilities		**62,986**	**56,100**
Total Equity And Liabilities		**214,090**	**213,410**

NB: Amounts in tables are generally expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

Income Statements

	Notes	June 30, 2012	June 30, 2011
		(in millions of euros)	
Revenues	3.2	50,535	45,678
Purchases		(27,546)	(23,534)
Personnel costs		(6,625)	(6,395)
Depreciation, amortization and provisions		(3,589)	(3,425)
Other operating expenses		(8,401)	(7,985)
Other operating income		1,061	892
Current Operating Income	**3.2**	**5,436**	**5,231**
Mark-to-market on commodity contracts other than trading instruments		295	(95)
Impairment of property, plant and equipment, intangible assets and financial assets		(361)	(63)
Restructuring costs		(78)	(51)
Changes in scope of consolidation		33	592
Other non-recurring items		243	51
Income from Operating Activities	**4.1**	**5,569**	**5,664**
Financial expenses		(2,220)	(1,613)
Financial income		692	538
Net Financial Expense	**4.2**	**(1,528)**	**(1,075)**
Income tax expense	4.3	(1,208)	(1,371)
Share in net income of associates		261	300
Net Income		**3,094**	**3,519**
Net income Group share		2,331	2,738
Non-controlling interests		763	781
Earnings Per Share *(Euros)******		**1.05**	**1.23**
Diluted Earnings Per Share (*Euros*)*****		**1.03**	**1.22**

* Earnings per share for the first half of 2011 were adjusted to take into account the impact of the May 2012 dividend payment in shares. Basic earnings per share and diluted earnings per share as published in the condensed interim consolidated financial statements for the six months ended June 30, 2011 amounted to €1.25 and €1.24, respectively.

Statements of Comprehensive Income

	Notes	June 30, 2012	June 30, 2012 Group Share	June 30, 2012 Non-controlling interests	June 30, 2011	June 30, 2011 Group Share	June 30, 2011 Non-controlling interests
				(in millions of euros)			
Net Income		**3,094**	**2,331**	**763**	**3,519**	**2,738**	**781**
Available-for-sale financial assets	6	97	64	33	(35)	(22)	(13)
Net investment hedges		(151)	(126)	(25)	215	156	59
Cash flow hedges (excl. commodity instruments)		(292)	(310)	18	81	104	(23)
Commodity cash flow hedges		(200)	(233)	33	192	185	6
Deferred tax on items above		214	218	(4)	(128)	(130)	2
Share of associates in items that will be reclassified subsequently to profit or loss, net of taxes		(62)	(40)	(22)	(140)	(98)	(42)
Translation adjustments		509	275	234	(990)	(661)	(329)
Total items that will be reclassified subsequently to profit or loss		**114**	**(152)**	**266**	**(806)**	**(466)**	**(339)**
Actuarial gains and losses		(149)	(131)	(18)	90	54	35
Deferred tax on actuarial gains and losses		40	34	6	(21)	(12)	(9)
Share of associates in items that will not be reclassified subsequently to profit or loss, net of taxes		32	32	0	61	61	0
Total items that will not be reclassified subsequently to profit or loss		**(77)**	**(65)**	**(13)**	**129**	**103**	**26**
Total Comprehensive Income		**3,131**	**2,114**	**1,017**	**2,842**	**2,375**	**468**

Statements of Cash Flows

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Net Income	**3,094**	**3,519**
- Share in net income of associates	(261)	(300)
+ Dividends received from associates	157	137
- Net depreciation, amortization and provisions	3,635	3,313
- Impact of changes in scope of consolidation, other non-recurring items	(276)	(608)
- Mark-to-market on commodity contracts other than trading instruments	(295)	95
- Other items with no cash impact	59	68
- Income tax expense	1,208	1,371
- Net financial expense	1,528	1,075
Cash generated from operations before income tax and working capital requirements	**8,848**	**8,670**
+ Tax paid	(687)	(1,082)
Change in working capital requirements	**(1,114)**	**(741)**
Cash Flow From Operating Activities	**7,048**	**6,847**
Acquisitions of property, plant and equipment and intangible assets	(4,049)	(3,811)
Acquisitions of controlling interests in entities net of cash and cash equivalents acquired	(86)	(805)
Acquisitions of investments in associates and joint ventures	(72)	(40)
Acquisitions of available-for-sale securities	(116)	(86)
Disposals of property, plant and equipment and intangible assets	57	84
Disposals of entities/loss of control net of cash and cash equivalents sold	222	8
Disposals of investments in associates and joint ventures	52	1,073
Disposals of available-for-sale securities	44	96
Interest received on non-current financial assets	31	29
Dividends received on non-current financial assets	44	49
Change in loans and receivables originated by the Group and other	(194)	215
Cash Flow Used in Investing Activities	**(4,065)**	**(3,188)**
Dividends paid	(1,164)	(2,066)
Repayment of borrowings and debt	(5,060)	(3,657)
Change in financial assets at fair value through profit or loss	1,887	207
Interest paid	(1,158)	(1,165)
Interest received on cash and cash equivalents	102	98
Flows on financial derivatives qualifying as net investment hedges and compensation payments on financial derivatives[1]	(437)	166
Increase in borrowings and debt	6,882	2,013
Increase/decrease in capital	108	181
Acquisitions/disposals of treasury stock	(302)	(85)
Changes in ownership interests in controlled entities	(202)	(45)
Cash Flow From (used in) Financing Activities	**656**	**(4,353)**
Effect of changes in exchange rates and other	4	(230)
Total Cash Flow for the Period	**3,643**	**(924)**
Cash and Cash Equivalents at Beginning Of Period	**14,675**	**11,296**
Cash and Cash Equivalents at End of Period	**18,318**	**10,372**

(1) Since December 31, 2011, the Group has applied a new definition of total "Net debt" (see Note 14.3, "Net debt" to the consolidated financial statements for the year ended December 31, 2011). In order to ensure consistency with this new definition and clearly present the non-recurring impact of compensation payments associated with the settlement of financial derivatives, the cash flows related to net investment hedges and compensation payments made/received in connection with the settlement of financial derivatives are presented in the statements of cash flows on the line entitled "Flows on financial derivatives qualifying as net investment hedges and compensation payments on financial derivatives". Comparative information from the first half of 2011 has been restated in order to present the relevant cash flows in accordance with this new procedure

Statements of Changes in Equity

	Number of shares	Share capital	Additional paid-in capital	Consoli-dated reserves	Fair value adjust-ments and other	Trans-lation adjust-ments	Treasury stock	Share-holders' equity	Non-controlling interests	Total equity
					(in millions of euros)					
Equity at January 1, 2011	**2,250,295,757**	**2,250**	**29,682**	**29,524**	**800**	**522**	**(665)**	**62,114**	**8,513**	**70,627**
Net income				2,738				2,738	781	3,519
Other comprehensive income				103	196	(662)		(363)	(313)	(676)
Total comprehensive income				**2,841**	**196**	**(662)**		**2,375**	**468**	**2,842**
Employee share issues and share-based payment	871,535	1	15	60				76	4	80
Cash dividends paid				(1,490)				(1,490)	(789)	(2,279)
Acquisitions/disposals of treasury stock				(14)			(71)	(85)		(85)
Business combinations (International Power)				159				159	6,171	6,330
Transactions between owners (GRTgaz transaction)				185				185	925	1,110
Share capital increases subscribed by non-controlling interests									157	157
Stock dividends and change in treasury stock, net (SUEZ Environnement Company)				(40)				(40)	131	91
Other changes				(83)				(83)	(2)	(85)
Equity at June 30, 2011	**2,251,167,292**	**2,251**	**29,697**	**31,141**	**996**	**(139)**	**(736)**	**63,211**	**15,578**	**78,788**
Equity at December 31, 2011	**2,252,636,208**	**2,253**	**29,716**	**31,205**	**240**	**447**	**(930)**	**62,931**	**17,340**	**80,270**
Net income				2,331				2,331	763	3,094
Other comprehensive income				(65)	(427)	275		(217)	253	37
Total comprehensive income				**2,266**	**(427)**	**275**		**2,114**	**1,017**	**3,131**
Employee share issues and share-based payment	134,434	0	1	52				53	4	57
Stock dividends paid[(1)]	69,002,807	69	1,065	(1,134)						
Cash dividends paid[(1)]				(341)				(341)	(1,042)	(1,382)
Acquisitions/disposals of treasury stock[(2)]				(75)			(228)	(302)		(302)
Transactions between owners (International Power transaction – see Note 2.1)				(2,276)	(127)	240		(2,164)	(5,898)	(8,062)
Other transactions between owners				(110)				(110)	(60)	(171)
Share capital increases subscribed by non-controlling interests									108	108
Other changes			(6)	43				37	(28)	9
Equity at June 30, 2012	**2,321,773,449**	**2,322**	**30,775**	**29,630**	**(314)**	**961**	**(1,157)**	**62,217**	**11,440**	**73,657**

(1) An interim dividend of €0.83 per share for 2011 was paid on November 15, 2011. On April 23, 2012, the Shareholders' Meeting resolved that a €1.50 dividend per share would be paid for 2011 and gave shareholders the choice as to whether the remaining €0.67 per share would be paid in cash or stock. The balance of the dividend was paid in May 2012. €341 million was paid in cash and €1,134 million was paid in stock.

(2) As part of its stock repurchase program, the Group acquired €302 million in treasury stock (net of disposals) during the first half of 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Information on the GDF Suez Group

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 1, place Samuel de Champlain – 92400 Courbevoie (France).

GDF SUEZ shares are listed on the Paris, Brussels and Luxembourg Stock Exchanges. The Group 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 satisfying energy needs, safeguarding supplies, combating climate change and optimizing the use of resources.

On August 1, 2012, the Group's Board of Directors approved and authorized for issue the condensed interim consolidated financial statements of GDF SUEZ and its subsidiaries for the six months ended June 30, 2012.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

In accordance with the European Regulation on international accounting standards dated July 19, 2002, the Group's annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and endorsed by the European Union[1].

The Group's condensed interim consolidated financial statements for the six months ended June 30, 2012 were prepared in accordance with the provisions of IAS 34 – *Interim Financial Reporting*, which allows entities to present selected explanatory notes. The condensed interim consolidated financial statements for the six months ended June 30, 2012 do not therefore incorporate all of the notes and disclosures required by IFRS for the annual consolidated financial statements, and accordingly must be read in conjunction with the consolidated financial statements for the year ended December 31, 2011, subject to specific provisions relating to the preparation of interim financial information as described hereafter.

1.2 Accounting policies

The accounting policies used to prepare the Group's condensed interim consolidated financial statements for the six months ended June 30, 2012 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2011 in accordance with IFRS as published by the IASB and endorsed by the European Union, with the exception of the following items in Note 1.2.1:

1.2.1 Amendments effective in 2012

- Amendments to IAS 12 – *Deferred tax - Recovery of underlying assets*[2]. The Group is not concerned by these amendments;

- Amendment to IFRS 7 – *Disclosures – Transfers of financial assets*. As there is no significative transfer for the Group realized on the six months ended June 30, 2012, this amendment has no impact.

[1] Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.
[2] These standards and interpretations have not yet been adopted by the European Union.

1.2.2 Amendments effective after 2012 that the Group has elected to early adopt in 2011

- Amendments to IAS 1 – Presentation of items of Other Comprehensive Income.

1.2.3 IFRS standards and amendments effective after 2012 that the Group has elected not to early adopt in 2012

Standards and amendments applicable in 2013

- IFRS 10 – Consolidated Financial Statements[3];
- IFRS 11 – Joint arrangements[6];
- IFRS 12 – Disclosure of Interests in Other Entities[1];
- Amendment to IAS 28 – Investments in Associates and joint ventures[1];
- IFRS 13 – Fair value measurement[1];
- Amendments to IAS 19 – Employee benefits;
- Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities[1];
- Annual improvements 2009-2011[1].

Amendments effective in 2014

- Amendments to IAS 32 – Offsetting financial assets and financial liabilities[1].

Standard effective in 2015

- IFRS 9 – Financial Instruments: Classification and Measurement[1].

The impact resulting from the application of these new or revised standards is currently being assessed.

1.3 Use of estimates and judgment

The financial crisis prompted the Group to step up its risk oversight procedures and include an assessment of risk – particularly counterparty risk – in measuring its financial instruments. The Group's estimates used in business plans and determination of discount rates used in impairment tests and for calculating provisions take into account the crisis situation and the resulting important market volatility.

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 statement of financial position reporting date, as well as 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 key estimates used in preparing the Group's consolidated financial statements relate mainly to:

- measurement at fair value of assets acquired and liabilities assumed in a business combination;
- measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets;

[3] These standards and interpretations have not yet been adopted by the European Union.

- measurement of provisions, particularly for nuclear waste processing and storage, dismantling obligations, disputes, pensions and other employee benefits;
- financial instruments;
- measurement of un-metered revenues;
- measurement of recognized tax loss carry-forwards.

Detailed information related to the use of estimates is provided in Note 1 to the consolidated financial statements for the year ended December 31, 2011.

Judgment

As well as relying on estimates, Group management also makes judgments to define the appropriate accounting policies to apply to certain activities and transactions, particularly 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 accounting treatment applicable to concession contracts, the classification of arrangements which contain a lease, the recognition of acquisitions of non-controlling interests prior to January 1, 2010 and the identification of electricity and gas 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 statement of financial position. 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 statement of financial position date are classified as current, while all other items are classified as non-current.

1.4 Interim financial reporting

Seasonality of operations

Although the Group’s operations are intrinsically subject to seasonal fluctuations, key performance indicators and income from operating activities are more influenced by changes in climatic conditions than by seasonality. Consequently, the interim results for the six months ended June 30, 2012 are not necessarily indicative of those that may be expected for full-year 2012.

Income tax expense

Current and deferred income tax expense for interim periods is calculated at the level of each tax entity by applying the average estimated annual effective tax rate for the current year to income for the period.

Pension benefit obligations

Pension costs for interim periods are calculated on the basis of the actuarial valuations performed at the end of the prior year. If necessary, these valuations are adjusted to take account of curtailments, settlements or other major non-recurring events during the period. Furthermore, amounts recognized in the statement of financial position in respect of defined benefit plans are adjusted, if necessary, in order to reflect material changes impacting the yield on investment-grade corporate bonds in the geographic area concerned (the benchmark used to determine the discount rate) and the actual return on plan assets.

NOTE 2 MAIN CHANGES IN GROUP STRUCTURE

2.1 Acquisition of non-controlling interests in International Power

2.1.1 Description of the transaction

On June 29, 2012, the GDF SUEZ Group completed the acquisition of 30.26% of non-controlling interests in International Power following the approval of the transaction by the qualified British authorities. GDF SUEZ now holds 100% of the voting rights of the International Power group. On July 2, 2012, International Power's shares were delisted from the London Stock Exchange.

The purchase offer was carried out as part of a scheme of arrangement at 418 pence per share in compliance with British legislation and approved by more than 99% of International Power's minority shareholders at its Shareholders' Meeting on June 7, 2012.

The purchase of International Power's 1,542 million ordinary shares, which were not yet held by the Group, amounted to €7,974 million, *i.e.*, GB P 6,445 million. On July 12, 2012, a cash payment of €7,875 million was made and loan notes with a nominal value of €99 million were issued. These non-subordinated loan notes pay annual interest of 0.25% and can be reimbursed from June 29, 2013 and up to June 29, 2015 at the latest.

The purchase offer does not modify the initial terms and conditions of bonds convertible into International Power shares or International Power stock option plans. The holders of these instruments will receive a cash payment of 418 pence per share in the event they are exercised or converted into shares.

2.1.2 Impacts on the consolidated financial statements at June 30, 2012

As the transaction is carried out between owners, the €2,076 million difference between the purchase price, *i.e.*, €7,974 million, and the carrying amount of the non-controlling interests is deducted from shareholders' equity.

Including transaction fees, this transaction reduced shareholders' equity by €8,062 million at June 30, 2012.

Following the cash payment on July 12, a financial liability of €7,974 million with respect to International Power's non-controlling interests was recognized in the following lines of the statements of financial position at June 30, 2012: €7,875 million under "Current -Borrowings and debt " in respect of the cash payment and €99 million under "Non-current - Borrowings and debt " in respect of the loan notes.

2.2 Disposals carried out during the first half of 2012

During the first half of 2012, the Group continued to roll out its "portfolio optimization" program aimed at slashing consolidated net debt.

The disposals carried out in the first half of 2012 within the scope of this program led to a €303 million reduction in net debt versus the figure at December 31, 2011.

The table below shows the cumulative impact of the disposals on the Group's financial statements at June 30, 2012:

	Disposal price	Reduction in net debt	Net gain (loss) on disposals and impact of changes in scope recognized in income
		(in millions of euros)	
Disposal of a 40% interest in Hidd Power Company (Bahrain)	87	(87)	(0)
Disposal of the Choctaw plant (United States)	200	(74)	4
Disposal of Eurawasser (Germany)	95	(89)	34
Disposal of the 17.44% interest in HUBCO (Pakistan)	52	(52)	(9)
Total		**(303)**	**29**

In addition to these disposals, the Group has recognized operations which are highly probable to be sold within a reasonable timeframe as "Non-current assets classified as held for sale" and "Liabilities directly associated with non-current assets classified as held for sale". The operations concerned are described in Note 2.3, "Assets classified as held for sale".

Hidd Power Company and the Choctaw plant were classified as "Assets classified as held for sale" at December 31, 2011. This classification resulted in a €580 million decrease in net debt at December 31, 2011. In total, both transactions reduced consolidated net debt by €741 million.

2.2.1 Disposal of a 40% interest in Hidd Power Company (Bahrain)

On May 10, 2012, the Group sold 40% of the share capital of its subsidiary Hidd Power Company to Malakoff International Ltd for $113 million (€87 million).

The Group's residual 30% interest in Hidd Power Company is accounted for by the equity method. The carrying amount of this associate totaled €36 million at June 30, 2012.

This transaction had no impact on the income statement for the six months ended June 30, 2012.

2.2.2 Disposal of the Choctaw plant (United States)

On February 7, 2012, the Group finalized the sale of the 746 MW Choctaw combined cycle plant in Mississippi for a total of $259 million (€200 million).

An initial payment of $96 million (€74 million) was made in February 2012. The remaining amount should be paid in February 2013.

The gain on disposal amounted to €4 million.

2.2.3 Disposal of Eurawasser (Germany)

On February 13, 2012, the Group sold its subsidiary Eurawasser, which specializes in water distribution and treatment services, to the Remondis group for €95 million. The gain on disposal amounted to €34 million (see Note 4.1.3).

2.2.4 Disposal of the 17.44% interest in HUBCO (Pakistan)

On June 13, 2012, the Group sold its 17.44% interest in The Hub Power Company Ltd (HUBCO), an independent power producer in Pakistan, for 6.3 billion Pakistani rupees (€52 million). The sale generated a capital loss of €9 million.

2.3 Assets classified as held for sale

At June 30, 2012, total assets classified as held for sale and total liabilities directly associated with assets classified as held for sale amounted to €660 million and €403 million, respectively.

The table below shows the main categories of assets and liabilities reclassified on these two lines of the statements of financial position:

	June 30, 2012	December 31, 2011
	(in millions of euros)	
Property, plant and equipment, net	557	1,125
Other assets	103	173
Total Assets Classified as Held For Sale	**660**	**1,298**
Borrowings and debt	289	596
Other liabilities	114	231
Total Liabilities Directly Associated with Assets Classified as Held for Sale	**403**	**827**

At June 30, 2012, assets classified as held for sale included the Hot Spring plant in the United States, the interest in the T-Power project in Belgium and Sohar Power Company SAOG in Oman.

Following their disposal during the first half of 2012, Hidd Power Company and the Choctaw plant are no longer shown on the "Assets classified as held for sale" line at June 30, 2012.

Sohar Power Company SAOG (Oman)

During the first half of 2012, the Group began the process of selling a portion of its interest in the capital of Sohar Power Company SAOG which will lead to the loss of control of this subsidiary. The Group expects to finalize this partial disposal during the second half of 2012.

2.4 Other transactions and changes in consolidation methods during the first half of 2012

On June 29, 2012, an amendment to Senoko's shareholders' agreement approved by the shareholders and the company's lenders resulted in a loss of joint control of the company. The Group's 30% interest in Senoko, which was previously proportionately consolidated, is now accounted for under the equity method. The carrying amount of this associate amounted to €302 million at June 30, 2012. The fair value adjustment for this change in consolidation method was not material.

Furthermore, different acquisitions, equity transactions and disposals took place in the first half of 2012, including the acquisition of controlling interests in Uch Power (PvT) Limited in Pakistan and the acquisition of a non-controlling interest in AES Energia Cartegena. The individual and aggregate impacts of these transactions on the consolidated financial statements for the six months ended June 30, 2012 are not material.

2.5 Update to the purchase price allocation of German storage facilities acquired in 2011

On August 31, 2011, the Group acquired BEB Speicher GmbH ("BEB") and ExxonMobil Gasspeicher Deutschland GmbH ("EMGSG") which operate underground natural gas storage sites in Germany.

The accounting for this business combination was provisional at December 31, 2011. Provisional goodwill amounted to €566 million.

During the first half of 2012, the Group continued to measure the fair value of identifiable acquired assets and liabilities assumed at the acquisition date and accounted for adjustments in comparison to the provisional fair values recognized in 2011.

The main adjustments relate to industrial storage facilities whose fair value was increased by €153 million compared with provisional values in 2011 and the relevant deferred tax liabilities which increased by €44 million. After recognition of these adjustments, goodwill arising on this acquisition amounted to €436 million.

The purchase price allocation will be finalized in the consolidated financial statements for the year ended December 31, 2012.

NOTE 3 SEGMENT INFORMATION

3.1 Operating segments

On January 1, 2012, the Group reorganized its Energy businesses by creating two business lines, Energy International and Energy Europe, and redefining the scope of the Global Gas & LNG business line.

The Group is now organized around the following six operating segments: the Energy International, Energy Europe, Global Gas & LNG, Infrastructures, Energy Services and Environment business lines.

The scope of the **Energy International** business line corresponds to the International Power group. Up until December 31, 2011, these activities were grouped under the International Power operating segment within the Energy Europe & International business line as described in Note 3, "Segment information" to the consolidated financial statements for the year ended December 31, 2011.

The **Energy Europe** business line includes the following former operating segments, as described in Note 3, "Segment information" to the consolidated financial statements for the year ended December 31, 2011: the Energy France business line; the Energy Benelux & Germany and Energy Europe business areas of the Energy Europe & International business line; and the "Gas Supply" and "Key Account Sales" activities within the Global Gas & LNG business line. Energy Europe carries out activities involving distribution of natural gas, electricity production and energy sales in continental Europe. It operates the Group's assets in continental Europe in the fields of gas (excluding infrastructure managed by the Infrastructures business line) and electricity (excluding certain assets historically operated by International Power in Italy, Germany, the Netherlands, Spain and Portugal).

Following the transfer of the "Gas Supply" and "Key Account Sales" activities to Energy Europe, **Global Gas & LNG** now carries out upstream activities of the natural gas value chain. In the area of exploration and production, the business line engages in the exploration, development and operation of oil and gas fields. On the LNG chain, the business line manages a long-term gas supply contract portfolio and interests in liquefaction facilities, operates an LNG fleet, and owns regasification capacities in LNG terminals. Global Gas & LNG is selling a portion of its LNG supply contracts to other Group entities and, in particular, the "gas supply" activity of the Energy Europe business line.

The Group's other operating segments are described in Note 3, "Segment information", to the consolidated financial statements for the year ended December 31, 2011.

Comparative segment information for the first half of 2011 has been restated to reflect the Group's new organization at June 30, 2012.

3.2 Key indicators by operating segment

REVENUES

	June 30, 2012			June 30, 2011		
	External revenues	Intra-group revenues	Total	External revenues	Intra-group revenues	Total
	(in millions of euros)					
Energy International	8,129	207	8,336	7,601	169	7,770
Energy Europe	24,269	923	25,193	21,324	773	22,096
Global Gas & LNG	2,494	1,758	4,252	1,604	1,931	3,535
Infrastructures	932	2,214	3,146	691	2,258	2,949
Energy Services	7,392	105	7,497	7,087	83	7,170
SUEZ Environnement	7,318	4	7,322	7,373	3	7,375
Other	–	–	–	–	–	–
Intra-group eliminations	–	(5,212)	(5,212)	–	(5,217)	(5,217)
TOTAL REVENUES	**50,535**	**–**	**50,535**	**45,678**	**–**	**45,678**

EBITDA

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Energy International	2,164	2,056
Energy Europe	2,485	2,252
Global Gas & LNG	1,415	1,246
Infrastructures	1,718	1,669
Energy Services	531	540
SUEZ Environnement	1,133	1,232
Other	(209)	(130)
TOTAL EBITDA	**9,236**	**8,865**

CURRENT OPERATING INCOME

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Energy International	1,448	1,287
Energy Europe	1,647	1,434
Global Gas & LNG	740	687
Infrastructures	1,087	1,086
Energy Services	358	377
SUEZ Environnement	460	561
Other	(303)	(201)
TOTAL CURRENT OPERATING INCOME	**5,436**	**5,231**

DEPRECIATION AND AMORTIZATION

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Energy International	(712)	(779)
Energy Europe	(784)	(779)
Global Gas & LNG	(670)	(545)
Infrastructures	(630)	(576)
Energy Services	(161)	(159)
SUEZ Environnement	(529)	(511)
Other	(45)	(38)
TOTAL DEPRECIATION AND AMORTIZATION	**(3,532)**	**(3,388)**

INDUSTRIAL CAPITAL EMPLOYED

	June 30, 2012	Dec. 31, 2011
	(in millions of euros)	
Energy International	30,455	30,263
Energy Europe	25,921	25,460
Global Gas & LNG	5,215	5,639
Infrastructures	19,860	20,581
Energy Services	3,352	3,030
SUEZ Environnement	13,932	13,628
Other	1,684	938
TOTAL INDUSTRIAL CAPITAL EMPLOYED	**100,419**	**99,539**

CAPITAL EXPENDITURE (CAPEX)

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Energy International	1,385	1,013
Energy Europe	1,220	1,048
Global Gas & LNG	316	207
Infrastructures	754	720
Energy Services	224	201
SUEZ Environnement	785	928
Other	24	71
TOTAL CAPITAL EXPENDITURE	**4,709**	**4,189**

Cash and cash equivalents acquired are not included in financial investments within CAPEX. However, CAPEX includes the acquisitions of additional interests in controlled entities which are presented under cash flows used in financing activities in the statement of cash flows (€177 million).

3.3 Key indicators by geographic area

The amounts set out below are analyzed by:

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

	Revenues		Industrial capital employed	
	June 30, 2012	June 30, 2011	June 30, 2012	Dec. 31, 2011
	(in millions of euros)			
France	19,108	16,261	34,036	34,302
Belgium	5,974	6,214	4,485	4,010
Other EU countries	15,189	13,247	30,424	29,789
Other European countries	501	957	1,483	1,691
North America	2,580	2,736	10,544	9,947
Asia, Middle East and Oceania	4,149	3,470	9,445	10,285
South America	2,571	2,350	9,796	9,297
Africa	462	444	206	216
Total	**50,535**	**45,678**	**100,419**	**99,539**

3.4 Reconciliation of EBITDA with Current Operating Income

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Current Operating Income	**5,436**	**5,231**
Depreciation, amortization and provisions	3,589	3,425
Share-based payment (IFRS 2) and other	58	69
Net disbursements under concession contracts	154	140
EBITDA	**9,236**	**8,865**

3.5 Reconciliation of industrial capital employed with items in the statements of financial position

	June 30, 2012	Dec. 31, 2011
	(in millions of euros)	
(+) Property, plant and equipment and intangible assets, net	103,344	103,346
(+) Goodwill	30,710	31,362
(-) Goodwill arising on the Gaz de France-SUEZ merger[(1)]	*(11,832)*	*(11,832)*
(-) Goodwill arising on the International Power combination[(1)]	*(2,912)*	*(2,894)*
(+) IFRIC 4 and IFRIC 12 receivables	2,582	2,483
(+) Investments in associates	2,953	2,619
(+) Trade and other receivables	23,912	23,135
(-) Margin calls[(1)(2)]	*(624)*	*(567)*
(+) Inventories	5,114	5,435
(+) Other current and non-current assets	9,550	10,628
(+) Deferred taxes	(11,124)	(11,659)
(-) Provisions	(16,509)	(16,183)
(+) Actuarial gains and losses recorded in equity (net of deferred taxes)[(1)]	*1,018*	*1,156*
(-) Trade and other payables	(17,656)	(18,387)
(+) Margin calls[(1)(2)]	*511*	*518*
(-) Other liabilities	(18,618)	(19,623)
INDUSTRIAL CAPITAL EMPLOYED	**100,419**	**99,539**

(1) For the purpose of calculating industrial capital employed, the amounts recorded in respect of these items have been adjusted from those appearing in the statement of financial position.

(2) Margin calls included in “Trade and other receivables” and “Trade and other payables” correspond to advances received or paid as part of collateralization agreements set up by the Group to reduce its exposure to counterparty risk on commodities transactions.

NOTE 4 INCOME STATEMENTS

4.1 Income from operating activities

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Current Operating Income	**5,436**	**5,231**
Mark-to-market on commodity contracts other than trading instruments	295	(95)
Impairment of property, plant and equipment, intangible assets and financial assets	(361)	(63)
Restructuring costs	(78)	(51)
Changes in scope of consolidation	33	592
Other non-recurring items	243	51
Income From Operating Activities	**5,569**	**5,664**

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

In the first half of 2012, this item represents a net gain of €295 million (compared with a net loss of €95 million in the first half of 2011), mainly reflecting:

- changes in the fair value of electricity and natural gas sale and purchase contracts falling within the scope of IAS 39 and financial instruments used as economic hedges but not eligible for hedge accounting, resulting in a net gain of €273 million (net loss of €114 million in the first half of 2011). This gain is mainly due to the positive impact of the settlement of positions with a negative market value at December 31, 2011;

- the ineffective portion of cash flow hedges, resulting in a gain of €22 million (compared to a gain of €27 million in the first half of 2011).

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

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Impairment losses		
Goodwill	–	–
Property, plant and equipment and other intangible assets	(279)	(45)
Financial assets	(88)	(32)
Other	–	–
Total Impairment Losses	**(368)**	**(77)**
Reversals of impairment losses		
Property, plant and equipment and other intangible assets	5	2
Financial assets	2	13
Total Reversals of Impairment Losses	**7**	**15**
TOTAL	**(361)**	**(63)**

In addition to the annual impairment tests on goodwill and non-amortizable intangible assets carried out in the second half of the year, the Group also tests goodwill, property, plant and equipment, intangible assets or financial assets for impairmenTWhenever there is an indication that the asset may be impaired.

4.1.2.1 Impairment of property, plant and equipment and intangible assets (excluding goodwill)

The net impairment losses of €279 million recognized in the first half of 2012 mainly related to power production assets in the Energy Europe business line in Greece (€42 million) and in Germany (€90 million).

The current economic conditions in Greece as well as technical problems at a combined cycle plant resulted in the recognition of an impairment loss of €42 million on property, plant and equipment in Greece.

In Germany, technical problems forced the Group to recognize an impairment loss of €90 million on a coal power plant under construction.

In the first half of 2011, the Group recognized impairment losses on property, plant and equipment and intangible assets (excluding goodwill) of €45 million, with no individual impairment loss being material.

4.1.2.2 Impairment of financial assets

Impairment losses recognized in the first half of 2012 amounted to €88 million. This amount included an impairment loss of €80 million recognized by the Group against its ACEA shares based on the closing share price at June 29, 2012 (see Note 6.1).

In the first half of 2011, the Group recognized impairment losses on financial assets in the amount of €32 million, with no individual impairment loss being material.

A breakdown of available-for-sale securities and their values is presented in Note 6, “Financial instruments”.

4.1.3 Changes in scope of consolidation

In the first half of 2012, this item mainly includes the €34 million in capital gains on the disposal of Eurawasser (see Note 2.2.3).

In the first half of 2011, this item primarily reflected the €425 million gain attributable to the remeasurement at fair value of the Group’s interest in the Flemish inter-municipal companies further to the Group ceasing to exercise significant influence over these entities and the recognition of the corresponding shares within “Available-for-sale securities”. It also included the capital gains on the disposal of a portion of the share capital of the inter-municipal companies in the Walloon region (€83 million) and the disposal of equity interests in Noverco (€28 million).

4.1.4 Other non-recurring items

In the first half of 2012, this item includes a €233 million gain which corresponds to the decrease in the fine paid related to the “Megal” legal proceedings following the judgment handed down by the General Court of the European Union on June 29, 2012 (see Note 8.2.1, “Megal”).

In the first half of 2011, this item mainly included €39 million in capital gains on the disposal of property, plant and equipment in SUEZ Environnement business line.

4.2 Net financial expense

	June 30, 2012			June 30, 2011		
	Expenses	Income	Total	Expenses	Income	Total
	(in millions of euros)					
Cost of net debt[1]	**(1,086)**	**107**	**(979)**	**(1,024)**	**121**	**(903)**
Interest on gross borrowings	(1,255)	—	(1,255)	(1,215)	—	(1,215)
Foreign exchange gains/losses on borrowings and hedges	(14)	—	(14)	(3)	—	(3)
Gains and losses on economic hedges of borrowings	(10)	—	(10)	—	1	1
Gains and losses on cash and cash equivalents and financial assets at fair value through profit or loss	—	107	107	—	120	120
Capitalized borrowing costs	192	—	192	193	—	193
Gains (losses) on debt restructuring and settlement of derivative instruments	**(248)**	**205**	**(43)**	**0**	**0**	**0**
Compensation payments on swap settlements	(228)	—	(228)	—	—	—
Change in fair value of settled derivative instruments	—	205	205	—	—	—
Expenses on early refinancing transactions	(19)	—	(19)	—	—	—
Other financial income and expenses[1]	**(886)**	**380**	**(506)**	**(588)**	**417**	**(171)**
Unwinding of discounting adjustments to provisions	(417)	—	(417)	(391)	—	(391)
Expected return on plan assets	—	104	104	—	101	101
Change in fair value of derivative instruments not included in net debt	(253)	—	(253)	—	62	62
Income from available-for-sale securities	—	50	50	—	62	62
Other	(215)	226	11	(198)	192	(5)
Net Financial Expense	**(2,220)**	**692**	**(1,528)**	**(1,613)**	**538**	**(1,075)**

(1) Since December 31, 2011, the Group has applied a new definition of total "Net debt" (see Note 14.3, "Net debt" to the consolidated financial statements for the year ended December 31, 2011). The definitions of the "Cost of net debt" and "Other financial income and expenses" were also revised to ensure consistency with the new definition of net debt. To ensure comparability with the six months ended June 30, 2012, an amount of €34 million has been reclassified from "Cost of net debt" to "Other financial income and expenses" for the six months ended June 30, 2011.

During the period, the Group settled a number of US dollar interest rate swaps. The compensation payments amount to €213 million with a negative impact of €25 million on the income statement, taking into account the €188 million positive impact on the change in fair value of the related derivative instruments.

At June 30, 2012, the item "Other financial income and expenses" included a €162 million expense in respect of the change in fair value of the derivative corresponding to the optional component of bonds convertible into International Power shares denominated in US dollars (against an increase of €25 million during the first half of 2011). The increase in fair value of this derivative is primarily due to the terms and conditions of the purchase offer in respect of non-controlling interests in International Power (see Note 2.1, "Acquisition of non-controlling interests in International Power").

This item also includes the negative impact of changes in the fair value of interest rate derivative instruments not qualifying for hedge accounting: a negative €85 million impact on the first half of 2012 versus a positive impact of €27 million on the first half of 2011.

4.3 Income tax expense

	June 30, 2012	June 30, 2011
	(in millions of euros)	
Net income (A)	3,094	3,519
Total income tax expense recognized in income for the period (B)	(1,208)	(1,371)
Share in net income of associates (C)	261	300
Income Before Income Tax Expense and Share in Net Income of Associates (A)-(B)-(C)=(D)	**4,040**	**4,590**
Effective Tax Rate – (B)/(D)	**29.9%**	**29.9%**

The effective tax rate has not changed since the first half of 2011. It primarily benefits from the offsetting effect of:

- the recognition of a non-taxable gain of €233 million at June 30, 2012 in relation to the decrease of the fine imposed by the European Commission in relation to the "Megal" proceedings; and
- the recognition of an increase in the contribution relating to nuclear activities in Belgium.

In light of the Belgian government's recent statements and the budget bill, the Group's annual contribution in respect of the tax on nuclear activities in Belgium for 2012 is currently estimated at €469 million and at €550 million for the sector as a whole. The income tax expense recognized in the first half of 2012 therefore includes this increase. GDF SUEZ will contest these measures by any legal means available.

Income tax expense in the first half of 2011 included a levy on nuclear activities in Belgium based on an annual contribution of €212 million as estimated by the Group for 2011.

4.4 Net recurring income Group share

Net recurring income Group share is a financial indicator used by the Group in its financial communication to present net income Group share adjusted for unusual, irregular or non-recurring items.

This financial indicator therefore excludes:

- all items presented between the lines “Current Operating Income” and “Income from operating activities”, i.e. “Mark-to-market on commodity contracts other than trading instruments”, “Impairment of property, plant and equipment, intangible assets and financial assets”, “Restructuring costs”, “Changes in scope of consolidation” and “Other non-recurring items”. These items are defined in Note 1.5.17 to the consolidated financial statements for the year ended December 31, 2011;

- the following components of net financial expense: the impact of debt restructuring, the compensation payments on the settlement of derivative instruments, changes in the fair value of derivative instruments which, in accordance with IAS 39, do not qualify as hedges, as well as the ineffective portion of derivative instruments that qualify as hedges;

- the tax impact of the items described above and determined using the statutory income tax rate applicable to the relevant tax entity;

- the net expense relating to the nuclear contribution in Belgium, the legality of which is contested by the Group;

- net non-recurring items included in “Share in net income of associates”. The excluded items correspond to non-recurring items as defined above.

The reconciliation of net recurring income Group share with net income is as follows:

	Notes	June 30, 2012	June 30, 2011
		(in millions of euros)	
Net Income Group Share		**2,331**	**2,738**
Non-controlling interests		763	781
Net Income		**3,094**	**3,519**
Reconciliation between Current Operating Income and Income from operating activities		**(132)**	**(434)**
Mark-to-market on commodity contracts other than trading instruments	4.1	(295)	95
Impairment of property, plant and equipment, intangible assets and financial assets	4.1	361	63
Restructuring costs	4.1	78	51
Changes in scope of consolidation	4.1	(33)	(592)
Other non-recurring items	4.1	(243)	(51)
Other adjustment items (not included in Income from operating activities)		**383**	**(24)**
Gains (losses) on debt restructuring and settlement of derivative instruments	4.2	43	0
Changes in the fair value of derivative instruments	4.2	262	(63)
Taxes on non-recurring items		(40)	(31)
Net expense relating to the nuclear contribution in Belgium		133	70
Net non-recurring income included in share of net income of associates		(15)	0
Net Recurring Income		**3,345**	**3,061**
Net Recurring Income Group Share		**2,477**	**2,337**
Non-controlling interests recurring income		868	724

NOTE 5 GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Goodwill	Intangible assets	Property, plant and equipment
		(in millions of euros)	
A. GROSS AMOUNT AT DECEMBER 31, 2011	**31,782**	**20,480**	**127,869**
Acquisitions		363	3,248
Disposals		(230)	(327)
Changes in scope of consolidation	(426)	55	(585)
Transferred to assets classified as held for sale			(420)
Other changes	(355)	294	(166)
Translation adjustments	138	124	984
At June 30, 2012	**31,138**	**21,086**	**130,603**
B. ACCUMULATED AMORTIZATION, DEPRECIATION AND IMPAIRMENT AT DECEMBER 31, 2011	**(420)**	**(7,254)**	**(37,749)**
Depreciation, amortization and impairment	(0)	(607)	(3,204)
Disposals		218	288
Changes in scope of consolidation	0	2	99
Transferred to assets classified as held for sale			71
Other changes		(19)	86
Translation adjustments	(9)	(34)	(243)
At June 30, 2012	**(429)**	**(7,694)**	**(40,652)**
C. CARRYING AMOUNT AT DECEMBER 31, 2011 (A + B)	**31,362**	**13,226**	**90,120**
At June 30, 2012	**30,710**	**13,392**	**89,952**

Changes in the scope of consolidation for the first half of 2012 are due mainly to the change in the consolidation method applied to Senoko (see Note 2.4), the disposal of Eurawasser (see Note 2.2.3), and individually non-material acquisitions.

The €355 million decrease in the carrying amount of goodwill, shown under "Other changes", is mainly due to:

- the update to the purchase price allocation of the German storage facilities acquired in 2011 (see Note 2.5);
- the decrease in the fair value of the financial liabilities relating to the put option granted by the Group for shares comprising 43.16% of the share capital of La Compagnie du Vent (see Note 6.2), for which the offsetting entry is recognized in goodwill in accordance with Group accounting policies (see Note 1.5.11.2 "Financial liabilities" of the consolidated financial statements for the year ended December 31, 2011).

Sohar Power Company SAOG was classified as held for sale (see Note 2.3), and the carrying amount of the corresponding property, plant and equipment was transferred to "Assets classified as held for sale" in the statements of financial position.

Impairment losses recognized against property, plant and equipment and intangible assets in the first half of 2012 amounted to €279 million. These losses are detailed in Note 4.1.2.1 "Impairment of property, plant and equipment and intangible assets (excluding goodwill)" and mainly concern a power production asset in Greece and a power plant under construction in Germany.

Translation adjustments recorded on the net amount of property, plant and equipment mainly relate to translation gains on the US dollar (€374 million), the Chilean peso (€179 million), the pound sterling (€128 million), the Australian dollar (€103 million) and the Norwegian krone (€90 million), and translation losses on the Brazilian real (€285 million).

NOTE 6 FINANCIAL INSTRUMENTS

6.1 Financial assets

The following table presents the Group's different categories of financial assets, broken down into current and non-current items:

	June 30, 2012			December 31, 2011		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Available-for-sale securities	3,288		3,288	3,299		3,299
Loans and receivables at amortized cost	3,839	25,318	29,157	3,813	24,446	28,260
Loans and receivables at amortized cost (excluding trade and other receivables)	*3,839*	*1,406*	*5,244*	*3,813*	*1,311*	*5,124*
Trade and other receivables, net		*23,912*	*23,912*		*23,135*	*23,135*
Other financial assets at fair value	3,053	6,574	9,628	2,911	8,197	11,108
Derivative instruments	*3,053*	*5,571*	*8,624*	*2,911*	*5,312*	*8,223*
Financial assets at fair value through profit or loss (excluding derivatives)		*1,004*	*1,004*		*2,885*	*2,885*
Cash and cash equivalents		18,318	18,318		14,675	14,675
Total	**10,181**	**50,211**	**60,391**	**10,023**	**47,319**	**57,342**

Available-for-sale securities

	Total
	(in millions of euros)
At December 31, 2011	**3,299**
Acquisitions	116
Disposals – carrying amount excluding changes in fair value recorded in "Other comprehensive income"	(48)
Disposals – "Other comprehensive income" derecognized	(1)
Other changes in fair value recorded in equity	98
Changes in fair value recorded in income	(111)
Changes in scope of consolidation, foreign currency translation and other changes	(65)
At June 30, 2012	**3,288**

The Group's available-for-sale securities amounted to €3,288 million at June 30, 2012, broken down as €1,283 million of listed securities and €2,005 million of unlisted securities.

The Group recognized impairment losses of €80 million on ACEA's listed securities at June 30, 2012, as a result of the prolonged decline of the market price below its historical cost.

6.2 Financial liabilities

Financial liabilities are recognized in:

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

The following table presents the Group's different categories of financial liabilities at June 30, 2012, broken down into current and non-current items:

	June 30, 2012			December 31, 2011		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Borrowings and debt	43,988	21,826	65,814	43,375	13,213	56,588
Derivative instruments	3,781	5,160	8,941	3,310	5,185	8,495
Trade and other payables	—	17,656	17,656	—	18,387	18,387
Other financial liabilities	343	—	343	684	—	684
Total	**48,112**	**44,642**	**92,754**	**47,369**	**36,784**	**84,153**

Changes in "Other financial liabilities" in the first half of 2012 mainly reflect the decrease of the fair value of the put option granted by the Group on "non-controlling interests" for shares comprising 43.16% of the share capital of La Compagnie du Vent.

6.3 Net debt

6.3.1 Net debt by type

	June 30, 2012			December 31, 2011		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Borrowings and debt in respect of International Power's non-controlling interests	99	7,875	7,974			
Outstanding borrowings and debt	43,191	12,684	55,875	42,404	12,163	54,568
Impact of measurement at amortized cost	309	367	676	689	243	932
Impact of fair value hedge[1]	390	98	488	281	77	358
Cash collateral on derivatives hedging borrowings – under liabilities		801	801		730	730
Borrowings and Debt	**43,988**	**21,826**	**65,814**	**43,375**	**13,213**	**56,588**
Derivatives hedging borrowings – under liabilities[2]	183	172	354	76	331	407
Gross Debt[4]	**44,171**	**21,998**	**66,168**	**43,451**	**13,543**	**56,994**
Financial assets related to debt instruments[3]	(261)	(46)	(307)	(311)	(20)	(331)
Financial Assets Related to Debt Instruments	**(261)**	**(46)**	**(307)**	**(311)**	**(20)**	**(331)**
Financial assets at fair value through profit or loss	—	(532)	(532)	—	(2,572)	(2,572)
Cash collateral on derivatives hedging borrowings – under assets		(472)	(472)		(314)	(314)
Cash and cash equivalents	—	(18,318)	(18,318)	—	(14,675)	(14,675)
Derivatives hedging borrowings – under assets[2]	(1,157)	(235)	(1,392)	(1,187)	(314)	(1,502)
Net Cash	**(1,157)**	**(19,557)**	**(20,714)**	**(1,187)**	**(17,875)**	**(19,063)**
Net Debt	**42,753**	**2,394**	**45,148**	**41,952**	**(4,352)**	**37,601**
Borrowings and debt in respect of International Power's non-controlling interests	99	7,875	7,974			
Outstanding borrowings and debt	43,191	12,684	55,875	42,404	12,163	54,568
Financial assets related to debt instruments[3]	(261)	(46)	(307)	(311)	(20)	(331)

	June 30, 2012			December 31, 2011		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Financial assets at fair value through profit or loss	—	(532)	(532)	—	(2,572)	(2,572)
Cash and cash equivalents	—	(18,318)	(18,318)	—	(14,675)	(14,675)
Net Debt Excluding the Impact of Derivative Instruments, Cash Collateral and Amortized Cost	**43,029**	**1,663**	**44,692**	**42,093**	**(5,104)**	**36,990**

(1) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.

(2) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges.

(3) Financial assets pledged as collateral for the Group's financing have been shown as a deduction from gross borrowings and debt since December 31, 2011. These assets consist mainly of deposits pledged as collateral for loans granted to subsidiaries.

(4) At June 30, 2012, the Group's gross debt includes at the same time:

a. Borrowings and debt totaling €7,974 million which corresponds to the Group's borrowings and debt in respect of International Power's non-controlling interests ; and

b. Bond issues totaling €3,000 million carried out on May 22, 2012 to finance this purchase of International Power's shares on July 12, 2012. However, this bond issue does not impact the amount of net debt at June 30, 2012.

6.3.2 Main events of the period

6.3.2.1 Impact of changes in the scope of consolidation and in the exchange rates on the changes in net debt

During the first half of 2012, changes in the scope of consolidation led to a €7,146 million increase in net debt, which breaks down as follows:

- the purchase of non-controlling interests in International Power (see Note 2.1 "Acquisition of non-controlling interests in International Power") which led to an increase of €7,974 million in net debt at June 30, 2012;
- the disposals carried out as part of the "portfolio optimization" program (see Note 2.2 "Disposals carried out during the first half of 2012") which reduced net debt by €303 million;
- Sohar's classification as "Assets classified as held for sale" (see Note 2.3 "Assets classified as held for sale"), as well as the other changes in the scope of consolidation, which had an overall negative impact of €525 million on net debt.

Changes in exchange rates during the first half of the year resulted in a €392 million increase in net debt (including €251 million in relation to the US dollar).

6.3.2.2 Financing set up as part of the acquisition of non-controlling interests in International Power

In order to comply with British regulatory requirements, the Group put in place a €6,000 million dedicated syndicated credit facility on May 4, 2012. The amount of this facility was reduced to €3,000 million after the €3,000 million bond issue carried out on May 22, 2012. No drawdowns were carried out on this credit line at June 30, 2012.

On May 22, 2012, the Group carried out a €3,000 million bond issue in three tranches of €1,000 million each:

- a first tranche expiring in February 2016 with a coupon of 1.5%;
- a second tranche expiring in June 2018 with a coupon of 2.25%;
- a third tranche expiring in February 2023 with a coupon of 3%.

Variable interest rate swaps were used to hedge a portion of the bond issue. The average cost of this bond issue was therefore reduced to 1.83% during the first half of 2012.

6.3.2.3 Other financing and refinancing transactions with no impact on net debt

The Group carried out the following transactions during the first half of 2012 in connection with its current financing transactions:

- GDF SUEZ redeemed the remaining €1,140 million of the €1,750 million bond issue paying interest of 4.375% which expired on January 16, 2012. In 2010, €610 million worth of these bonds were redeemed;
- SUEZ Environnement Company carried out a drawdown of €250 million on the "Club Deal" syndicated credit line;
- on June 11, 2012, SUEZ Environnement Company launched an intermediated redemption of its bonds maturing in 2014, issued in 2009 and paying interest of 4.875%. At the close of the transaction, €191 million in bonds had been redeemed. On the same day, SUEZ Environnement Company launched an additional €250 million 10-year bond issue, maturing on June 24, 2022 and paying interest of 4.125%.

Furthermore, the Group also paid off in advance of term some bank debts of International Power's North American affiliates for an amount of $514 million (€397 million).

The bank debt expiring at the end of June 2012 for the Australian-based entities of the business line Energy International was refinanced as follows:

- Hazelwood's debt totaling 652 million Australian dollars (€519 million) was internally refinanced on June 29, 2012 by the Group;
- Loy Yang B's debt amounting to 1,107 million Australian dollars (€881 million) was refinanced through a new syndicated bank loan of 1,062 million Australian dollars (€846 million) expiring on June 30, 2017.

6.4 Derivative instruments

6.4.1 Derivative financial assets

	June 30, 2012			December 31, 2011		
	Non-current	Current	Total	Non-current	Current	Total
			(in millions of euros)			
Derivatives hedging borrowings	1,157	235	1,392	1,187	314	1,502
Derivatives hedging commodities	1,079	5,305	6,384	969	4,916	5,885
Derivatives hedging other items	818	30	848	755	81	836
Total	**3,053**	**5,571**	**8,624**	**2,911**	**5,312**	**8,223**

6.4.2 Derivative financial liabilities

	June 30, 2012			December 31, 2011		
	Non-current	Current	Total	Non-current	Current	Total
			(in millions of euros)			
Derivatives hedging borrowings	183	172	354	76	331	407
Derivatives hedging commodities	1,077	4,891	5,968	994	4,699	5,693
Derivatives hedging other items	2,522	97	2,619	2,241	155	2,396
Total	**3,781**	**5,160**	**8,941**	**3,310**	**5,185**	**8,495**

6.4.3 Fair value of commodity derivatives

	June 30, 2012				December 31, 2011			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Derivative instruments relating to portfolio management activities	2,478	1,079	(2,022)	(1,077)	2,653	969	(2,297)	(994)
Cash flow hedges	*1,018*	*394*	*(627)*	*(320)*	*1,227*	*349*	*(710)*	*(208)*
Other derivative instruments	*1,460*	*685*	*(1,395)*	*(757)*	*1,426*	*620*	*(1,587)*	*(786)*
Derivative instruments relating to trading activities	2,827	—	(2,869)	—	2,263	—	(2,402)	—
Total	**5,305**	**1,079**	**(4,891)**	**(1,077)**	**4,916**	**969**	**(4,699)**	**(994)**

6.4.4 Classification of financial instruments and fair value by level

In the first half of 2012, the Group made no significant changes in the classification of financial instruments and did not recognize any material transfers between levels of the fair value hierarchy.

NOTE 7 MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

GDF SUEZ mainly uses derivative instruments to manage its exposure to market risks. The Group's risk management policy is described in Note 15 to the consolidated financial statements for the year ended December 31, 2011.

7.1 Market risks

7.1.1 Commodity risk

7.1.1.1 Portfolio management activities

Sensitivity analyses for portfolio management activities, as presented in the table below, are calculated on fixed commodity derivative portfolio at a given date (June 30, 2012) and may not necessarily be representative of future changes in consolidated earnings and equity. This sensitivity analysis is determined excluding the commodity purchase and sale own use contracts in accordance with IAS 39, as well as the underlying elements on these derivatives.

		June 30, 2012	
	Price movements	Pre-tax impact on income	Pre-tax impact on equity
		(in millions of euros)	
Sensitivity analysis			
Oil-based products	+$US10/bbl	(13)	122
Natural gas	+€3/MWh	194	(154)
Coal	+$US10/ton	34	54
Electricity	+€5/MWh	(408)	61
Greenhouse gas emission rights	+€2/ton	49	(4)
EUR/USD	+10%	(5)	(163)
EUR/GBP	+10%	40	27
GBP/USD	+10%	24	-

As option contracts are not frequently used, the sensitivity analysis is symmetrical for price increases and decreases.

7.1.1.2 Trading activities

The use of Value at Risk (VaR) to quantify market risk arising from trading activities provides a transversal measure of risk taking all markets and products into account. VaR represents the maximum potential loss on a portfolio of assets over a specified holding period based on a given confidence interval.

The Group uses a one-day holding period and a 99% confidence interval to calculate VaR, as well as stress tests, in accordance with banking regulatory requirements.

	June 30, 2012	2012 average(1)	2012 maximum(2)	2012 minimum(2)
	(in millions of euros)			
Value at Risk				
Trading activities	3	4	7	2

(1) Average daily VaR.

(2) Based on daily highs and lows observed in 2012.

7.1.2 Currency risk

Sensitivity was analyzed based on the Group's net debt position (including the impact of foreign currency derivatives) at the reporting date.

For currency risk, sensitivity corresponds to a 10% rise or fall 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 functional currency of companies carrying the liabilities on their statements of financial position, 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 ultimately be a gain or loss of €17 million.

Impact on equity

For financial instruments (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 €368 million on equity. This impact is countered by the offsetting change in the net investment hedged.

7.1.3 Interest rate risk

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

For interest rate risk, sensitivity corresponds to a 1% rise or fall in the yield curve compared with period-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 on the floating-rate leg of derivatives, would increase net interest expense by €46 million. A fall of 1% in short-term interest rates would reduce net interest expense by €16 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

A uniform rise of 1% in interest rates (across all currencies) applied to derivative instruments not qualifying for hedge accounting would result in a gain of €194 million attributable to changes in the fair value of derivatives in the income statement. However, a fall of 1% in interest rates would generate a loss of €269 million. The asymmetrical impacts are attributable to the interest rate options portfolio.

Impact on equity

A uniform rise of 1% in interest rates (across all currencies) would have a positive impact of €366 million on equity, attributable to changes in the interest rate impact of the fair value of derivative instruments designated as cash flow and net investment hedges recognized in the statement of financial position. However, a fall of 1% in interest rates would generate a loss of €449 million.

7.2 Counterparty risk

The Group is exposed to counterparty risk from customers, suppliers, intermediaries and banks on its operating and financing activities, when such parties are unable to honor their contractual obligations.

7.2.1 Operating activities

Past-due trade and other receivables are analyzed below:

	Past due assets not impaired at the reporting date						
	0-6 months	6-12 months	More than one year	Total	Impaired assets Total	Assets neither impaired nor past due Total	Total
	(in millions of euros)						
Trade and other receivables, net							
At June 30, 2012	1,444	327	356	2,127	1,444	21,381	24,953

In view of the diversity of its customer portfolio, the Group does not consider that it is exposed to any material concentration of risk in respect of receivables.

In the case of commodity derivatives, counterparty risk arises from the positive fair value. Counterparty risk is taken into accounTWhen calculating the fair value of these derivative instruments.

	June 30, 2012	
	Investment Grade(2)	Total
	(in millions of euros)	
Counterparty risk(1)		
Gross exposure	5,450	6,384
Net exposure(3)	2,390	2,537
% exposure to Investment Grade counterparties	*94.2%*	

(1) Excluding positions with a negative fair value.

(2) Investment Grade corresponds to transactions with counterparties rated at least BBB- by Standard & Poor's, Baa3 by Moody's, or an equivalent by Dun & Bradstreet. Investment Grade is also determined based on an internal rating model currently being rolled out to the Group and based on the main counterparties.

(3) After taking into account collateral netting agreements and other credit enhancement.

7.2.2 Financing activities

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

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

	Past due assets not impaired at the reporting date						
	0-6 months	6-12 months	More than one year	Total	Impaired assets Total	Assets neither impaired nor past due Total	Total
	(in millions of euros)						
Loans and receivables at amortized cost (excluding trade and other receivables)							
At June 30, 2012	1	1	62	64	427	5,106	5,597

After taking into account the impact of amortized cost, changes in fair value and impairment losses, the carrying amount of outstanding loans and receivables carried at amortized cost (excluding trade and other receivables) totaled €5,244 million at June 30, 2012.

7.2.2.2 Counterparty risk arising from investing activities and the use of derivative financial instruments

The Group is exposed to counterparty risk arising from investments of surplus cash and from the use of derivative financial instruments. In the case of financial instruments at fair value through profit or loss, counterparty risk arises on instruments with a positive fair value.

At June 30, 2012, total outstandings exposed to credit risk amounted to €20,242 million.

	June 30, 2012			
	Total	Investment Grade(1)	Unrated(2)	Non Investment Grade(2)
	(in millions of euros)			
Exposure(3)	20,242	92%	6%	2%

(1) Counterparties rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

(2) The bulk of exposure to unrated or non Investment Grade counterparties arises within consolidated companies comprising non-controlling interests, or within Group companies operating in emerging countries where cash cannot be pooled and is therefore invested locally.

(3) After collateralization agreements.

At June 30, 2012, no single counterparty represented more than 9% of cash investments.

7.3 Liquidity risk

In the context of its operating activities, the Group is exposed to a risk of having insufficient liquidity to meet its contractual obligations. As well as the risks inherent in managing working capital, cash collateral is required in certain market activities.

Liquidity is based on maintaining cash and cash equivalents and access to confirmed credit facilities. The Group also has access to confirmed credit lines. 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 €20,050 million at June 30, 2012, of which €1,911 million had been drawn down. 78% of total credit lines and 83% of undrawn facilities are centralized.

At June 30, 2012, bank loans accounted for 33% of gross debt (excluding overdrafts, amortized cost, the impact of derivatives, and borrowings and debt in respect of International Power's shareholders), while the remaining debt was mainly raised on capital markets (including €30,877 million in bonds, or 57% of gross debt). Outstanding short-term commercial paper issues represented 10% of gross debt, or €5,467 million at June 30, 2012.

Available cash, comprising cash and cash equivalents, financial assets qualifying or designated as at fair value through profit or loss, less overdrafts, totaled €17,586 million at June 30, 2012.

7.3.1 Undiscounted contractual payments relating to financial activities

At June 30, 2012, undiscounted contractual payments on net debt (excluding the impact of derivatives, cash collateral and amortized cost) break down as follows by maturity:

	Total At June 30, 2012	2012	2013	2014	2015	2016	Beyond 5 years
				(in millions of euros)			
Borrowings and Debt In Respect of International Power's Non-Controlling Interests (1)	**7,974**	**7,875**	**—**	**—**	**99**	**—**	**—**
Bond issues	30,877	1,236	1,350	2,980	2,856	2,630	19,824
Commercial paper	5,467	5,291	176	—	—	—	—
Drawdowns on credit facilities	1,911	186	284	102	96	671	572
Liabilities under finance leases	1,383	67	152	142	122	108	792
Other bank borrowings	13,605	1,311	1,642	2,055	1,107	969	6,522
Other borrowings	1,369	248	66	99	70	51	836
Bank overdrafts and current accounts	1,264	1,264	—	—	—	—	—
Outstanding Borrowings and Debt	**55,875**	**9,603**	**3,669**	**5,379**	**4,250**	**4,429**	**28,546**
Financial assets related to debt instruments	(307)	(24)	(219)	(24)	—	—	(40)
Financial assets qualifying or designated as at fair value through profit or loss	(532)	(532)	—	—	—	—	—
Cash and cash equivalents	(18,318)	(18,318)	—	—	—	—	—
Net Debt Excluding the Impact of Derivative Instruments, Cash Collateral and Amortized Cost	**44,692**	**(1,397)**	**3,450**	**5,356**	**4,349**	**4,429**	**28,506**

(1) Borrowings and debt in respect of International Power's non-controlling interests were settled in cash and loan notes on July 12, 2012.

Undiscounted contractual interest payments on outstanding borrowings and debt break down as follows by maturity:

	Total At June 30, 2012	2012	2013	2014	2015	2016	Beyond 5 years
				(in millions of euros)			
Undiscounted contractual interest payments on outstanding borrowings and debt	20,550	812	2,087	1,921	1,766	1,592	12,373

Undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in assets and liabilities break down as follows by maturity (net amounts):

	Total At June 30, 2012	2012	2013	2014	2015	2016	Beyond 5 years
				(in millions of euros)			
Derivatives (excluding commodity instruments)	1,030	332	161	(39)	107	66	402

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

	Total At June 30, 2012	2012	2013	2014	2015	2016	Beyond 5 years
				(in millions of euros)			
Confirmed undrawn credit facility programs	18,140	638	4,448	2,290	4,736	1,070	4,957

Confirmed undrawn credit facilities include, in particular, a syndicated credit facility of €3,000 million put in place as part of the purchase of non-controlling interests in International Power (see Note 6.3.2.2).

7.3.2 Undiscounted contractual payments relating to operating activities

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 statement of financial position date.

	Total	2012	2013	2014	2015	2016	Beyond 5 years
				(in millions of euros)			
Liquidity risk							
Derivative instruments carried in liabilities							
relating to portfolio management activities	*(3,142)*	*(1,488)*	*(1,014)*	*(317)*	*(126)*	*(99)*	*(98)*
relating to trading activities	*(2,862)*	*(2,856)*	*(6)*				
Derivative instruments carried in assets							
relating to portfolio management activities	*3,608*	*1,852*	*1,195*	*369*	*106*	*40*	*46*
relating to trading activities	*2,828*	*2,820*	*8*				
Total at June 30, 2012	**432**	**328**	**183**	**52**	**(20)**	**(59)**	**(52)**

NOTE 8 LEGAL AND ANTI-TRUST PROCEEDINGS

The Group is party to a number of legal and anti-trust proceedings with third parties or with the tax authorities of certain countries in the normal course of its business. These legal and arbitration proceedings are recognized as liabilities or give rise to contingent assets or liabilities.

This note describes the key developments in the proceedings presented in Note 26 to the consolidated financial statements for the year ended December 31, 2011, as well as new proceedings which have arisen in the first half of 2012.

Provisions recorded in respect of these proceedings totaled €818 million at June 30, 2012 (€763 million at December 31, 2011).

8.1 Legal proceedings

8.1.1 Slovak Gas Holding (SGH)

In 2011, negotiations between SGH and the Slovak State resulted in the withdrawal of the legal framework which limited the possibility to request price increases to cover gas selling costs plus a reasonable profit margin (law referred to as “Lex SPP”).

However, negotiations between the foreign investors GDF SUEZ and E.ON on the one hand and the Slovak State on the other hand regarding other disputed issues have not yet been successful. Consequently, SGH and its two shareholders, GDF SUEZ and E.ON, filed international arbitration proceedings against the Republic of Slovakia before the International Centre for Settlement of Investment Disputes (ICSID) for breach of the Energy Charter Treaty. The request for arbitration was registered on April 5, 2012 and the members of the arbitration tribunal are currently being designated.

8.1.2 Squeeze-out bid for Electrabel shares

Mr. Geenen appealed the decision of December 24, 2009 handed down by the Brussels Court of Appeal before the Court of Cassation on June 2, 2010. In its decision, the Court of Appeal had dismissed Mr. Geenen's claim for additional consideration following the squeeze-out bid launched by SUEZ in June 2007 on Electrabel shares that it did not already own.

On May 3, 2012, the Court of Cassation annulled the decision of the Brussels Court of Appeal.

8.1.3 Total Énergie Gaz

GDF SUEZ purchases natural gas from Total Énergie Gaz ("TEGAZ"), a subsidiary of the Total group, under the Natural Gas Supply Agreement signed on October 17, 2004 and claimed a revision of the contractual price with effect from May 1, 2011. Following unsuccessful negotiations with TEGAZ, in March 2012 GDF SUEZ submitted the dispute concerning the revision of the contractual price to a panel of experts in accordance with the agreement. The panel of appraisers has been appointed and the schedule and the terms and conditions of the appraisal will soon be determined. In April 2012, TEGAZ filed a notice of dispute regarding the interpretation of certain clauses of the abovementioned agreemenTWhich is currently subject to an arbitration procedure in accordance with the regulations of French Arbitration Association (*Association Française de l'Arbitrage* – AFA). TEGAZ requested, as an emergency measure, the suspension of the appraisal during the arbitration procedure, the validity and the necessity of which are contested by GDF SUEZ. These procedures are currently in progress.

8.1.4 Fos Cavaou – Operation

The prefectural order authorizing the full operation of the Fos Cavaou terminal was granted on February 14, 2012.

8.1.5 La Compagnie du Vent

Jean-Michel Germa holds GDF SUEZ in contract and in tort in respect of his removal as Chairman and Chief Executive Officer of La Compagnie du Vent. In this regard, Jean-Michel Germa summoned GDF SUEZ to appear before the Commercial Court (*Tribunal de Commerce*) of Paris on February 15, 2012 seeking damages.

Furthermore, SOPER summoned GDF SUEZ, La Compagnie du Vent and the current Chairman and Chief Executive Officer to appear before the Commercial Court of Montpellier on May 15 , 2012. SOPER requests an expert legal opinion concerning certain management decisions in order to obtain damages.

8.1.6 Freeze of regulated natural gas prices in France

On July 10, 2012, further to claims filed by GDF SUEZ and the French association of energy retail operators (*Association nationale des opérateurs détaillants en énergie* – ANODE), the *Conseil d'État* (France's highest administrative court) canceled the decree of September 29, 2011 on regulated natural gas prices issued by the Ministers for Economic Affairs and Energy.

In its decision on the merits, the *Conseil d'État* held that the decree was vitiated by an error of law, in that it set the prices at a level lower than thaTWhich would have resulted from the application of the pricing formula as defined under current regulations.

According to the *Conseil d'État*, if the Ministers believed that it was necessary to alter the pricing formula due to changes in supply costs, they should have altered the formula before setting any new prices.

The *Conseil d'État* instructed the Ministers to issue a new decree, within one month, setting prices for the period from October 1, 2011 to December 31, 2011 in accordance with current regulations.

The freeze of regulated natural gas prices over the last quarter of 2011, represented a shortfall amounting approximately €290 million. The financial consequences of the decision of the *Conseil d'État* and of the new decree will be recognized during the second half of 2012.

In addition, the ministerial decree of July 18, 2012 sets the increase in regulated natural gas prices in France at 2% for the period from July 20, 2012 to December 31, 2012. The Group considers that this price change will not enable it to cover all of its natural gas supply costs and other costs.

8.1.7 Objection to the CREG's approval of Elia's injection tariffs

In December 2011, the Belgian Gas and Electricity Regulation Commission (*Commission de Régulation de l'Electricité et du Gaz* – CREG) approved the tariff proposal submitted by the electricity transmission grid operator, Elia System Operator, for the 2012-2015 period. Electrabel objects to two main aspects in relation to this proposal, namely the application of injection tariffs (i) for use of the grid and (ii) for ancillary services.

Electrabel launched proceedings in January 2012 before the Brussels Court of Appeal to suspend and cancel the CREG's decision. The appeal is pending.

8.1.8 Melbourne – AquaSure

On April 24, 2012, a new moratorium was signed between AquaSure (21%-owned by SUEZ Environnement) and the joint venture – comprising Thiess a subsidiary of the Leighton group (65%) and Degrémont (35%), a subsidiary of SUEZ Environnement – responsible for the design and construction of the seawater desalination plant. The purpose of this moratorium is to ensure financing by AquaSure between July 1, 2012 and the date of completion of the plant, on the one hand, and to submit and pursue claims against the State of Victoria, on the other hand.

This moratorium, which is set to expire on February 28, 2013, was approved by the lending banks on May 18, 2012.

SUEZ Environnement and its partner, the Leighton group, believe that most of the cost overruns are due to *force majeure* and that they cannot be attributed to them in full. Claims for over 1 billion Australian dollars have been filed by the joint venture.

8.1.9 NAM (Nederlandse Aardolie Maatschappij)

In June 2011, NAM filed a claim against GDF SUEZ E&P Nederland BV and the GDF SUEZ Group for the payment of a price adjustment, under the sale agreements entered into with GDF SUEZ for the sale of exploration and production assets in the Netherlands and of an interest in Nogat BV, in respect of an income tax expense of €50 million that NAM claimed to have paid on behalf of GDF SUEZ between the effective date and the completion date of the transaction. This claim was always contested by GDF SUEZ as in breach of the agreements.

In response to this action, GDF SUEZ E&P Nederland BV filed a separate claim for €5.9 million against NAM.

On May 21, 2012, the District Court of The Hague dismissed GDF SUEZ E&P Nederland BV's claim and ordered it to pay the principal amount claimed by NAM, together with interest of 3.8% accrued since January 17, 2011.

As the decision was enforceable, this payment has already been made. However, GDF SUEZ E&P Nederland BV has appealed this decision. The result of this appeal should be known in approximately one year's time.

8.1.10 Claim by the Brazilian tax authorities

Tractebel Energia, a GDF SUEZ Group company, contested the tax assessment notice of BRL 323 million (€128 million) issued by the Brazilian tax authorities on December 30, 2010 in respect of fiscal years 2005 to 2007. Tractebel Energia considered that the tax authorities wrongly refused to grant it deductions in relation to the tax incentive which provides consideration for intangible assets.

In February 2012, a decision was issued in favor of Tractebel Energia and has been submitted to the Administrative Court for confirmation.

8.2 Competition and concentration

8.2.1 Megal

On July 8, 2009, the European Commission fined GDF SUEZ and E.ON €553 million each for agreeing not to compete against each other in their respective gas markets. GDF SUEZ has paid the fine. GDF SUEZ brought an action for annulment against the Commission's decision before the General Court of the European Union on September 18, 2009.

On June 29, 2012, the General Court of the European Union set the fine to be paid by GDF SUEZ at €320 million, thus reducing the original fine of €553 million by €233 million. This decision may be appealed, without suspending the payment due, before the European Court of Justice within two months and ten days.

On July 31, 2012, the Group received the €233 million reimbursement.

8.2.2 Inquiry into the water distribution and treatment sector in France

During March 2012, the European Commission began a new inspection of Lyonnaise des Eaux's premises.

NOTE 9 RELATED PARTY TRANSACTIONS

Transactions with related parties during the period did not have a material impact on the Group's financial position or results for the six months ended June 30, 2012.

In the first half of 2012, there were no material changes to relations between related parties as described in Note 24 to the consolidated financial statements for the year ended December 31, 2011.

NOTE 10 SUBSEQUENT EVENTS

10.1 Decisions by the Belgian government on nuclear power production

The Belgian Council of Ministers announced a series of decisions on the electricity market following its meetings on July 4 and July 20, 2012. In particular, the Belgian government confirmed the following schedule and removed the possibility – provided for by Article 9 of the Act of 2003 on the phase-out of nuclear power – to derogate from the phase-out schedule by ordinary Royal Decree:

- the Doel 1 and Doel 2 reactors will be closed in 2015, while the operating lifetime of Tihange 1 will be extended by ten years until 2025;
- the Doel 3, Tihange 2 and Tihange 3/Doel 4 reactors will be closed in 2022, 2023 and 2025, respectively.

The Council of Ministers also announced certain other decisions, including the offering to the market of the nuclear capacity that would be extended. It also confirmed its intent to continue receiving a nuclear contribution during the current parliamentary term.

The Group publicly expressed that as a result of these decisions the Belgian government was not complying with the Memorandum of Understanding entered into in October 2009, which contains firm and reciprocal commitments that are binding on the parties, especially as regards the ten-year extension of the lifespans of the Doel 1, Doel 2 and Tihange 1 nuclear power plants.

No information was provided that allows GDF SUEZ to assess the economic sustainability of the nuclear capacity that would be extended and offered to the market. At this stage, the content and consequences of most of these announcements remain unclear, both in terms of the energy landscape as a whole and the conditions in which the measures announced are to be implemented and applied.

Accordingly, and pending further clarification, the Group is prepared to meet with the government to put forward its position and obtain the necessary clarifications on the economic aspects.

At this stage, on the basis of the information available at the date of publication and of independent expert reports, the Group has not modified its position with respect to its vision of the power industry and, in particular, considers that a nuclear power production will still be necessary to ensure the security of supply in Belgium beyond 2025.

Based on the above, the Group considers that these decisions do not have an impact on its consolidated financial statements and, in particular, the recoverable amount of the related depreciable assets and goodwill is still higher than their carrying amount.

10.2 Issuance of €1,500 million in bonds

On July 10, 2012, the Group carried out a €1,500 million bond issue in two tranches of €750 million each:

- a first tranche expiring in July 2017 and paying interest of 1.5%;
- a second tranche expiring in July 2022 and paying interest of 2.625%.

This issue was carried out to finance the acquisition of non-controlling interests in International Power.

It reduces the syndicated credit facility entered into on May 4, 2012 (see Note 6.3.2.2) by the same amount, bringing the confirmed amount of this credit line to €1,500 million.

10.3 Purchase of International Power shares created following the conversion of a portion of bonds convertible into International Power shares

On July 13, 2012, the Group purchased 118 million International Power shares that had been created following the conversions carried out between July 1, 2012 and July 10, 2012 by the holders of bonds convertible into International Power shares.

The total amount paid came to €620 million. These transactions led to a €54 million rise in net debt and a €69 million reduction in shareholders' equity, in light of the derecognition of (i) borrowings and debt corresponding to the bonds converted into shares, the carrying amount of which totaled €566 million at June 30, 2012, and (ii) the related €15 million in deferred tax assets.

STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEAR FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code («Code monétaire et financier»), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of GDF SUEZ, for the period from January 1 to June 30, 2012, and

- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements were prepared under the responsibility of GDF SUEZ board of directors in a context of high volatility of the markets and of financial crisis in the euro zone, which already prevailed at the December 31, 2011 year-end and whose consequences make it difficult to forecast economic mid-term perspectives. This context is described in note 1.3 "Use of estimates and judgment" in the condensed half-year consolidated financial statements. Our role is to express a conclusion on these financial statements based on our review.

1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Consequently, the level of assurance we obtained abouTWhether the condensed half-year consolidated financial statements taken as a whole, are free of material misstatements is moderate, and lower than that obtained in an audit.

Based on our review, nothing has come to our attention that causes us to believe that these condensed half-year consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

2. SPECIFIC VERIFICATION

We have also verified the information provided in the interim management report commenting on the condensed half-year consolidated financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, August 1, 2012

The statutory auditors
French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres	MAZARS
Véronique Laurent	Pascal Macioce	Isabelle Sapet
Pascal Pincemin	Charles-Emmanuel Chosson	Thierry Blanchetier

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

Statements of Financial Position

	Notes	As of December 31, 2011	As of December 31, 2010(1)	Jan. 1, 2010(1)
		(in millions of euros)		
Assets				
Non-current assets				
Intangible assets, net	10	13,226	12,780	11,420
Goodwill	9	31,362	27,933	28,355
Property, plant and equipment, net	11	90,120	78,703	69,665
Available-for-sale securities	14	3,299	3,252	3,563
Loans and receivables at amortized cost	14	3,813	2,794	2,426
Derivative instruments	14	2,911	2,532	1,927
Investments in associates	12	2,619	1,980	2,176
Other non-current assets		1,173	1,440	1,696
Deferred tax assets	7	1,379	1,909	1,659
Total Non-Current Assets		**149,902**	**133,323**	**122,886**
Current assets				
Loans and receivables at amortized cost	14	1,311	1,032	947
Derivative instruments	14	5,312	5,739	7,405
Trade and other receivables, net	14	23,135	20,501	18,915
Inventories		5,435	3,870	3,947
Other current assets		9,455	6,957	5,094
Financial assets at fair value through income	14	2,885	1,713	1,680
Cash and cash equivalents	14	14,675	11,296	10,324
Assets held for sale	2	1,298	0	0
Total Current Assets		**63,508**	**51,108**	**48,312**
Total Assets		**213,410**	**184,430**	**171,198**

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

(1) Restated data at December 31, 2010 and December 31, 2009. See Note 1.2.

	Notes	As of December 31, 2011	As of December 31, 2010(1)	Jan. 1, 2010(1)
		(in millions of euros)		
Liabilities				
Shareholders' equity		62,930	62,114	60,194
Non-controlling interests		17,340	8,513	5,241
Total Equity	**16**	**80,270**	**70,627**	**65,436**
Non-current liabilities				
Provisions	17	14,431	12,989	12,790
Long-term borrowings	14	43,375	38,179	32,155
Derivative instruments	14	3,310	2,104	1,792
Other financial liabilities	14	684	780	911
Other non-current liabilities		2,202	2,342	2,489
Deferred tax liabilities	7	13,038	12,437	11,856
Total Non-Current Liabilities		**77,040**	**68,830**	**61,993**
Current liabilities				
Provisions	17	1,751	1,480	1,263
Short-term borrowings	14	13,213	9,059	10,117
Derivative instruments	14	5,185	5,738	7,170
Trade and other payables	14	18,387	14,835	12,887
Other current liabilities		16,738	13,861	12,332
Liabilities directly related to assets held for sale	2	827	0	0
Total Current Liabilities		**56,100**	**44,973**	**43,769**
Total Equity and Liabilities		**213,410**	**184,430**	**171,198**

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

(1) Restated data at December 31, 2010 and December 31, 2009. See Note 1.2.

Income Statements

	Notes	As of December 31, 2011	2010
		(in millions of euros)	
Revenues		90,673	84,478
Purchases		(46,695)	(44,672)
Personnel costs		(12,775)	(11,755)
Depreciation, amortization and provisions		(7,115)	(5,899)
Other operating expenses		(17,226)	(14,381)
Other operating income		2,116	1,025
Current Operating Income	**4**	**8,978**	**8,795**
Mark-to-market on commodity contracts other than trading instruments		(105)	(106)
Impairment of property, plant and equipment, intangible assets and financial assets		(532)	(1,468)
Restructuring costs		(189)	(206)
Changes in scope of consolidation		1,514	1,185
Other non-recurring items		18	1,297
Income From Operating Activities	**5**	**9,684**	**9,497**
Financial expenses		(3,383)	(2,810)
Financial income		778	589
Net Financial Loss	**6**	**(2,606)**	**(2,222)**
Income tax expense	**7**	**(2,119)**	**(1,913)**
Share in net income of associates	12	462	264
Net Income		**5,420**	**5,626**
Net income Group share		4,003	4,616
Non-controlling interests		1,418	1,010
Earnings Per Share (Euros)	**8**	**1.8**	**2.1**
Diluted Earnings Per Share (Euros)	**8**	**1.8**	**2.1**

Statements of Comprehensive Income

	Notes	2011	2011 Group share	2011 Non-controlling interests	2010	2010 Group share	2010 Non-controlling interests
		As of December 31,					
		(in millions of euros)					
Net Income		**5,420**	**4,003**	**1,418**	**5,626**	**4,616**	**1,010**
Available-for-sale financial assets	14	(495)	(448)	(47)	(126)	(119)	(7)
Net investment hedges		(70)	(58)	(12)	(106)	(63)	(43)
Cash flow hedges (excl. commodity instruments)	15	(214)	(139)	(75)	(16)	11	(27)
Commodity cash flow hedges	15	317	327	(10)	457	445	12
Deferred tax on items above	7	(68)	(87)	19	(137)	(144)	8
Share of associates in recyclable items, net of taxes		(281)	(185)	(96)	45	48	(3)
Translation adjustments		115	100	15	1,147	877	270
Total Recyclable Items		**(697)**	**(491)**	**(207)**	**1,265**	**1,054**	**210**
Actuarial gains and losses		(755)	(639)	(116)	(500)	(479)	(21)
Deferred tax on actuarial gains and losses		248	207	41	157	149	9
Share of associates in non-recyclable items and actuarial gains and losses, net of taxes		46	46	0	(14)	(14)	(0)
Total Non-Recyclable Items		**(461)**	**(386)**	**(75)**	**(356)**	**(344)**	**(12)**
Total Comprehensive Income		**4,262**	**3,126**	**1,136**	**6,535**	**5,326**	**1,208**

Statements of Changes in Equity

	Number of shares	Share capital	Additional paid-in capital	Consoli-dated reserves	Fair value adjustments and other	Transla-tion adjust-ments	Treasury stock	Share-holders' equity	Non-controlling interests	Total equity
					(in millions of euros)					
Equity at December 31, 2009	**2,260,976,267**	**2,261**	**30,590**	**28,810**	**623**	**(355)**	**(1,644)**	**60,285**	**5,241**	**65,527**
Correction of prior-period error – see Note 1,2				(91)				(91)		(91)
Restated Equity at January 1, 2010 Statements of changes in equity	**2,260,976,267**	**2,261**	**30,590**	**28,720**	**623**	**(355)**	**(1,644)**	**60,195**	**5,241**	**65,436**
Net income				4,616				4,616	1,010	5,626
Other comprehensive income				(344)	177	877		710	198	909
Total comprehensive income				**4,272**	**177**	**877**		**5,326**	**1,208**	**6,535**
Employee share issues and share-based payment	26,217,490	26	471	120				617		617
Cash dividends paid				(3,330)				(3,330)	(581)	(3,911)
Acquisitions/disposals of treasury stock				(55)			(436)	(491)		(491)
Transactions between owners				(190)				(190)	(21)	(211)
Business combinations									1,658	1,658
Issuance of deeply-subordinated notes									745	745
Cancelation of treasury stock	(36,898,000)	(37)	(1,378)				1,415			
Other changes				(12)				(12)	261	249
Restated Equity at December 31, 2010	**2,250,295,757**	**2,250**	**29,683**	**29,524**	**800**	**522**	**(665)**	**62,114**	**8,513**	**70,627**

	Number of shares	Share capital	Additional paid-in capital	Consoli-dated reserves	Fair value adjustments and other	Transla-tion adjust-ments	Treasury stock	Share-holders' equity	Non-controlling interests	Total equity
					(in millions of euros)					
Restated equity at January1, 2011	**2,250,295,757**	**2,250**	**29,683**	**29,524**	**800**	**522**	**(665)**	**62,114**	**8,513**	**70,627**
Net income				4,003				4,003	1,418	5,420
Other comprehensive income				(386)	(590)	99		(877)	(282)	(1,158)
Total comprehensive income				**3,617**	**(590)**	**99**		**3,126**	**1,136**	**4,262**
Employee share issues and share-based payment	2,340,451	2	33	122				157	12	169
Cash dividends paid				(3,328)				(3,328)	(1,033)	(4,361)
Acquisitions/disposals of treasury stock				(97)			(264)	(362)		(362)
Business combinations (International Power – see Note 2)				302	28	(175)		155	6,303	6,458
Transactions between owners (GRTgaz transaction – see Note 2)				167				167	923	1,090
Transactions between owners (disposal of a 30% non-controlling interest in the Group's Exploration & Production				938	1	1		940	1,341	2,281

	Number of shares	Share capital	Additional paid-in capital	Consoli-dated reserves	Fair value adjustments and other	Transla-tion adjust-ments	Treasury stock	Share-holders' equity	Non-controlling interests	Total equity
					(in millions of euros)					
business to CIC – see Note 2)										
Other transactions between owners				(11)				(11)	(25)	(36)
Share capital increases subscribed by non-controlling interests									217	217
SUEZ Environnement: stock dividends, change in treasury stock (Suez Environnement Company) and the "Sharing" employee shareholding plan.............				(2)				(2)	(33)	(35)
Other changes.....................				(25)				(25)	(14)	(39)
Equity at December 31, 2011................................	**2,252,636,208**	**2,253**	**29,716**	**31,205**	**240**	**447**	**(930)**	**62,931**	**17,340**	**80,270**

Statements of Cash Flows

	As of December 31,	
	2011	2010
	(in millions of euros)	
Net Income	5,420	5,626
- Share in net income of associates	(462)	(264)
+ Dividends received from associates	265	273
- Net depreciation, amortization and provisions	7,431	7,331
- Impact of changes in scope of consolidation, other non-recurring items	(1,497)	(2,592)
- Mark-to-market on commodity contracts other than trading instruments	105	106
- Other items with no cash impact	130	121
- Income tax expense	2,119	1,913
- Net financial loss	2,606	2,222
Cash generated from operations before income tax and working capital requirements	16,117	14,736
+ Tax paid	(1,853)	(2,146)
Change in working capital requirements	(426)	(258)
Cash Flow From Operating Activities	13,838	12,332
Acquisitions of property, plant and equipment and intangible assets	(8,898)	(9,292)
Acquisitions of controlling interests in entities net of cash and cash equivalents acquired(1)	(1,745)	(737)
Acquisitions of investments in associates and joint ventures	(119)	(139)
Acquisitions of available-for-sale securities	(258)	(510)
Disposals of property, plant and equipment and intangible assets	167	405
Disposals of entities/loss of control net of cash and cash equivalents sold	1,024	412
Disposals of investments in associates and joint ventures	1,570	1,239
Disposals of available-for-sale securities	76	847
Interest received on non-current financial assets	81	39
Dividends received on non-current financial assets	138	128
Change in loans and receivables originated by the Group and other	60	(176)
Cash Flow Used in Investing Activities	(7,905)	(7,783)
Dividends paid	(4,363)	(3,918)
Repayment of borrowings and debt	(6,517)	(7,424)
Change in financial assets at fair value through income	(1,146)	16
Interest paid	(1,977)	(1,565)
Interest received on cash and cash equivalents	212	141
Increase in borrowings and debt	8,114	8,709
Increase/decrease in capital	569	563
Acquisitions/disposals of treasury stock	(362)	(491)
Issuance of deeply-subordinated notes by SUEZ Environment		742
Changes in ownership interests in controlled entities	2,974	(455)
Cash Flow Used in Financing Activities	(2,496)	(3,683)
Effect of changes in exchange rates and other	(58)	106
Total Cash Flow for the Period	**3,379**	**972**
Cash and Cash Equivalents at Beginning of Period	**11,296**	**10,324**
Cash and Cash Equivalents at End of Period	**14,675**	**11,296**

(1) Including the impact of the acquisition of International Power plc presented in Note 2,1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 place Samuel de Champlain, 92400 Courbevoie (France).

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

The Group 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 satisfying energy needs, safeguarding supplies, combating climate change and optimizing the use of resources.

On February 8, 2012, the Group's Board of Directors approved and authorized for issue the consolidated financial statements of the Group for the year ended December 31, 2011.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

Pursuant to European Regulation (EC) 809/2004 on prospectuses 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 two reporting periods (ended December 31, 2010 and 2011). This information was 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, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board (IASB) and endorsed by the European Union[4].

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2011 are consistent with the policies used to prepare the consolidated financial statements for the year ended December 31, 2010, except for those described in sections 1.1.1 and 1.1.2 below.

1.1.1 IFRS standards, amendments and IFRIC interpretations applicable in 2011

- IAS 24 revised – *Related Party Disclosures:* In 2010, the Group early adopted some provisions of IAS 24 revised regarding exemptions to disclosures by government-related entities. The new definition of a related party introduced in the revised standard effective for the first time in 2011 has no impact on the scope of the Group's related parties at December 31, 2011. However, additional disclosures are required in respect of commitments with related parties (see Note 24).

- Amendment to IAS 32 – Classification of Rights Issues.

- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*.

- Amendment to IFRIC 14 – *Prepaid Voluntary Contributions.*

- Improvements to IFRS 2010.

These amendments and interpretations have no material impact on the Group's consolidated financial statements for the year ended December 31, 2011.

[4] Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

1.1.2 Amendment effective after 2011 that the Group has elected to early adopt in 2011

- Amendment to IAS 1 – *Presentation of items of Other Comprehensive Income*[5]: The Group decided to early adopt this amendment which, although not yet endorsed by the European Union, provides useful information which is compliant with current IAS 1. Accordingly, elements of other comprehensive income that will be subsequently "recycled" in profit and loss are presented separately from those that will not.

1.1.3 IFRS standards, amendments and IFRIC interpretations effective after 2011 that the Group has elected not to early adopt in 2011

Standards and amendments applicable in 2012

- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets[1].
- Amendments to IFRS 7 – Disclosures: Transfers of Financial Assets.

Standards and amendments applicable in 2013

- IFRS 10 – Consolidated Financial Statements[1].
- IFRS 11 – Joint Arrangements[1].
- IFRS 12 – Disclosure of Interests in Other Entities[1].
- Amendment to IAS 28 – Investments in Associates and Joint Ventures[1].
- IFRS 13 – Fair Value Measurement[1].
- Amendments to IAS 19 – Employee Benefits[1].
- Amendments to IFRS 7 – Di*sclosures -Offsetting financial assets and financial liabilities*[1].

Amendments applicable in 2014

- Amendments to IAS 32 – Offsetting financial assets and financial liabilities[2].

Standard applicable in 2015

- IFRS 9 – Financial Instruments: Classification and Measurement[1].

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

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 Restatements of the 2010 consolidated financial statements in accordance with IAS 8

During the six months ended June 30, 2011, an error was discovered in the computation of the "gas in the meter" receivable accounted for in the Energy – France segment. This error is due to the use of an incomplete model

[5] These standards and interpretations have not yet been adopted by the European Union

and certain incorrect calculation parameters. As most of the cumulative impact of this error originated before July 22, 2008 (date of the merger of Gaz de France and SUEZ) the fair value of assets acquired in this transaction and hence the related goodwill have been restated, the cost of the business combination remaining unchanged. Accordingly, the comparative amounts at January 1, 2010 and for the year ended December 31, 2010 reported in "Goodwill", "Trade and other receivables", "Deferred tax assets", "Other liabilities" and "Equity" have been respectively restated for +€366 million, -€833 million, +€240 million, -€137 million and -€91 million. As the impact of this error on 2010 comparative income statement information and on the key indicators of the Energy – France segment was not material, neither the income statement for the year ended December 31, 2010 nor the indicators for Energy – France were restated. Accordingly, basic and diluted earnings per share have not been restated for the periods presented. 2009 and 2008 income was not materially impacted either.

Beginning the first half of the 2011 exercice, appropriate measures were implemented to make the "gas in the meter" computation model in the Energy – France segment more reliable and to reinforce internal control accordingly.

This error had no impact whatsoever on amounts billed to the 10,1 million customers in France.

1.3 Measurement and presentation basis

The consolidated financial statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

Assets or disposal groups held for sale

In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", assets or group of assets held for sale are presented separately on the face of the statement of financial position, at the lower of their carrying amount and fair value less costs to sell.

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable within one year from the date of classification, management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated.

1.4 Use of estimates and judgment

As a result of the financial crisis which has been raging over the past months, the Group has strengthened its risk management procedures and now includes an assessment of risk – in particular counterparty risk – in the measurement of its financial instruments. The severe market volatility caused by the crisis has been taken into account by the Group in the estimates made such as for its business plans and, when relevant, in the various discount rates used in impairment testing and computing provisions.

1.4.1 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 reporting date, as well as 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 key estimates used in preparing the Group's consolidated financial statements relate mainly to:

- measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see sections 1.5.4 and 1.5.5);
- measurement of provisions, particularly for nuclear waste processing and storage, dismantling obligations, disputes, pensions and other employee benefits (see section 1.5.15);

- financial instruments (see section 1.5.11);
- measurement of revenues not yet metered, so called un-metered revenues;
- measurement of recognized tax loss carry-forwards.

1.4.1.1 Measurement of the fair value of assets acquired and liabilities assumed in a business combination

The key assumptions and estimates used to determine the fair value of assets acquired and liabilities assumed include the market outlook for the measurement of future cash flows, and the applicable discount rate.

These assumptions reflect management's best estimates.

1.4.1.2 Recoverable amount of goodwill, 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 – whose sensitivity varies depending on the activity – for the measurement of cash flows, and the applicable discount rate. 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.

1.4.1.3 Estimates of provisions

Parameters having a significant influence on the amount of provisions, and particularly, but not solely, those relating to the back-end of nuclear fuel cycle and to the dismantling of nuclear facilities, as those relating to the dismantling for gas infrastructures in France, include:

- cost forecasts (notably the retained scenario for reprocessing and storage of radioactive nuclear fuel consumed);
- the timing of expenditure (notably, for nuclear power generation activities, the timetable for reprocessing of radioactive spent nuclear fuel and for dismantling facilities as well as, regarding the gas infrastructure businesses in France, the timetable for the end of gas operations); and
- the discount rate applied to cash flows.

These parameters are based on information and estimates deemed to be appropriate by the Group at the current time.

The modification of certain parameters could involve a significant adjustment of these provisions. However, 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.

1.4.1.4 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.

1.4.1.5 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.

1.4.1.6 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 reporting date based on historical data, consumption statistics and estimated selling prices. For sales on networks used by a large 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 direct method taking into account estimated customers consumption since the last metering not yet billed. These estimates are in line with the volume of energy allocated by the grid managers on the same period. The average price is used to measure the “gas in the meter”. 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.

1.4.1.7 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 and, if necessary, on the basis of additional forecasts.

1.4.2 Judgment

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

In particular, the Group exercised its judgment in determining the accounting treatment applicable to concession contracts, the classification of arrangements which contain a lease, the recognition of acquisitions of non-controlling interests prior to January 1, 2010 and the identification of electricity and gas 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 statement of financial position. 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 reporting date are classified as current, while all other items are classified as non-current.

1.5 Significant accounting policies

1.5.1 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.

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.

1.5.2 Foreign currency translation methods

1.5.2.1 Presentation currency of the consolidated financial statements

The Group's consolidated financial statements are presented in euros (€).

1.5.2.2 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.

1.5.2.3 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 reporting 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.

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

The statements of financial position 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" as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are classified as assets and liabilities of those foreign entities and are therefore denominated in the functional currencies of the entities and translated at the year-end exchange rate.

1.5.3 Business combinations

Business combinations carried out prior to January 1, 2010 have been accounted for in accordance with IFRS 3 prior to the revision. In accordance with IFRS 3 revised, these business combinations have not been restated.

Since January 1, 2010, the Group applied the purchase method as defined in IFRS 3 revised, which consists in recognizing the identifiable assets acquired and liabilities assumed at their fair values at the acquisition date, as well as any non-controlling interest in the acquiree. Non-controlling interests are measured either at fair value or at the entity's proportionate interest in the net identifiable assets of the acquiree. The Group determines on a case-by-case basis which measurement option to be used to recognize non controlling interests.

1.5.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

1.5.4.1 Goodwill

Recognition of goodwill

Due to the application of IFRS 3 revised at January 1, 2010, the Group is required to separately identify business combinations carried out before or after this date.

Business combinations carried out prior to January 1, 2010

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 acquiree's 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.

Business combinations carried out after January 1, 2010

Goodwill is measured as the excess of the aggregate of:

(i) the consideration transferred;

(ii) the amount of any non-controlling interests in the acquiree; and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree;

over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

The amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the measurement period.

Goodwill relating to interests in 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) or groups of 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 1.5.8 "Impairment 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".

1.5.4.2 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 the basis of the expected pattern of consumption of the estimated future economic benefits embodied in the asset. Amortization is calculated mainly 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.

1.5.5 Property, plant and equipment

1.5.5.1 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 statement of financial position 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, 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 plus regasification, transportation and injection costs.

1.5.5.2 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 mainly using the straight-line method over the following useful lives:

Main depreciation periods	**Minimum**	**Maximum**
	(years)	
Plant and equipment		
Energy		
Storage – Production – Transport – Distribution	5	60*
Installation – Maintenance	3	10
Hydraulic plant and equipment	20	65
Environment	2	70
Other property, plant and equipment	2	33

* Excluding cushion gas

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.

1.5.6 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 studies are expensed in the year in which they are incurred.

Exploration costs (other than geological and geophysical studies) are temporarily capitalized in "pre-capitalized exploration costs" before the confirmation of the technical feasibility and commercial viability of extracting resources. These exploration drilling costs are temporarily capitalized when the following two conditions are met:

- sufficient reserves have been 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 and economically viable. This progress is assessed based on criteria such as whether 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 this method known as "successful efforts" method, when the exploratory phase has resulted in proven, 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.

1.5.7 Concession arrangements

SIC 29 – *Service Concession Arrangements:* Disclosures prescribes the information that should be disclosed in the notes to the financial statements of a concession grantor and concession operator, while IFRIC 12 deals with the treatment to be applied by the concession operator in respect of certain concession arrangements.

These interpretations set out the common features of concession arrangements:

- concession arrangements involve the provision of a public service and the management of associated infrastructure, together with specific capital renewal and replacement obligations;

- the grantor is contractually obliged to offer these services to the public (this criterion 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 statement of financial position;

- 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 acquisition 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 do 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, most of which are renewed upon expiration pursuant to French law No. 46-628 of April 8, 1946.

1.5.8 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 reporting date.

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

1.5.9 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.

1.5.9.1 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.

1.5.9.2 Accounting for operating leases

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

1.5.9.3 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.

1.5.10 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 the section on property, plant and equipment).

Working gas is classified in inventory and measured at weighted 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 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 statement of financial position 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.

1.5.11 Financial instruments

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

1.5.11.1 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. Financial assets are broken down into current and non-current assets in the consolidated statement of financial position.

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). Cost is determined using the weighted average cost formula.

These items are measured at fair value on initial recognition, which generally corresponds to the acquisition cost plus transaction costs.

At each reporting date, available-for-sale securities are measured at fair value. For listed securities, fair value is determined based on the quoted market price at the reporting date. For unlisted securities, fair value is measured using valuation models based primarily on recent market transactions, discounted dividends and future cash flows or net asset value. Changes in fair value are recorded directly in other comprehensive income, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment loss to be recognized. 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 carried at amortized cost

This item primarily includes loans and advances to associates or non-consolidated companies, guarantee deposits, trade and other receivables.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each statement of financial position date, they are measured at 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 1.5.12). The financial assets are measured at fair value at the statement of financial position date and changes in fair value are recorded in the consolidated income statement.

1.5.11.2 Financial liabilities

Financial liabilities include borrowings, trade and other payables, derivative financial instruments and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months after the reporting 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 reporting 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 non-controlling interests

Other financial liabilities primarily include put options granted by the Group in respect of non-controlling interests.

Put options on non-controlling interests granted prior to January 1, 2010

As no specific guidance is provided by IFRS, and based on recommendations issued by the AMF for the 2009 reporting period, the Group decided to continue accounting for instruments recognized prior to January 1, 2010 using its previous accounting policies:

- 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 non-controlling interests. When the value of the put option is greater than the carrying amount of the non-controlling interests, the difference is recognized as goodwill;

- at each reporting 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 non-controlling interests result in an increase in goodwill;

- in the consolidated income statement, non-controlling interests are allocated their share in income. In the consolidated statement of financial position, the share in income allocated to non-controlling 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.

1.5.11.3 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. The 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 and gas 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 statement of financial position 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 statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as:

- a fair value hedge of an asset or liability;
- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a 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 other comprehensive income. These two adjustments are presented net in the consolidated income statement, with the net effect corresponding to the ineffective portion of the hedge.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect the Group's income. The hedged cash flows may be attributable to a particular risk associated with a 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 other comprehensive income, 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 expected to occur, 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 other comprehensive income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in other comprehensive income are transferred to the consolidated income statement when the investment is sold.

Identification and documentation of hedging relationships

The hedging instruments and hedged items are designated at the inception of the hedging relationship. The hedging relationship is formally documented in each case, specifying the hedging strategy, the hedged risk and the method used to assess hedge effectiveness. Only derivative contracts entered into with external counterparties are considered as being eligible for hedge accounting.

Hedge effectiveness is assessed and documented at the inception of the hedging relationship and on an ongoing basis throughout the periods for which the hedge was designated. Hedges are considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item are offset within a range of 80%-125%.

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in the fair value or cash flows between the hedging instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used.

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 statement of financial position in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

Fair value measurement

The fair value of instruments listed on an active market is determined by reference to the market price. In this case, these instruments are presented in level 1 of the fair value hierarchy.

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

Models used to evaluate these instruments take into account assumptions based on market inputs:

- the fair value of interest rate swaps is calculated based on the present value of future cash flows;
- 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.

These instruments are presented in level 2 of the fair value hierarchy except when the evaluation is based mainly on data that are not observable; in this case they are presented in level 3 of the fair value hierarchy. Most often, this is the case for derivatives with a maturity that falls outside the observability period for market data relating to the underlying or when some parameters such as the volatility of the underlying are not observable.

1.5.12 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".

1.5.13 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.

1.5.14 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

1.5.14.1 Stock option plans

Options granted by the Group to its employees are measured at the grant date using a binomial pricing model for options with no performance conditions or using a Monte Carlo pricing model for options with performance conditions. These models take into account the characteristics of the plan concerned (exercise price, exercise period, performance conditions if any), 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.

1.5.14.2 Shares and Performance 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.

A Monte Carlo pricing model is used for Performance Shares granted on a discretionary basis and subject to external performance criteria.

1.5.14.3 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 the discount awarded to employees and the 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 are taken to income for each period.

1.5.15 Provisions

1.5.15.1 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 elected in 2006 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 in other comprehensive income. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

However, actuarial gains and losses on other long-term benefits such as long-service awards, continue to be recognized immediately in income.

The interest cost in respect of pensions and other employee benefit obligations and the expected return on related plan assets are presented as a financial expense.

1.5.15.2 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.

1.5.16 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.

1.5.16.1 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.

Part of the price received by the Group under certain long-term energy sales contracts may be fixed rather than being based on volumes. In rare cases, the fixed amount can change over the term of the contract. In accordance with IAS 18, revenues from such components 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.

1.5.16.2 Rendering of services

Environment

Water

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.

1.5.16.3 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 finance lease receivables (IFRIC 4).

1.5.17 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 2009-R03 on the format of financial statements of entities applying IFRSs.) 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 mark-to-market on commodity contracts other than trading instruments, asset impairment, restructuring costs, changes in the scope of consolidation and other non-recurring items, and are defined as follows:

- 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;
- impairment includes impairment losses on non-current assets;
- 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;
- changes in the scope of consolidation.

  This line includes:

  - costs related to acquisitions of controlling interests,
  - in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held equity interest at acquisition-date fair value,
  - subsequent changes in the fair value of contingent consideration;
  - gains or losses from disposals of investments which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests.
- Other non-recurring items notably include capital gains and losses on disposals of non-current assets and available-for-sale securities.

1.5.18 Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method starting from net income.

"Interest received on non-current financial assets" is classified within investing activities because it represents a return on investments. "Interest received on cash and cash equivalents" is shown as a component of financing activities because the interest can be used to reduce borrowing costs. This classification is consistent with the Group's internal organization, where debt and cash are managed centrally by the Treasury Department.

As impairment losses on current assets are considered to be definitive losses, changes in current assets are presented net of impairment.

Cash flows relating to the payment of taxes are presented on a separate line of the consolidated statement of cash flows.

1.5.19 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 reporting 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 reporting 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.

1.5.20 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.).

NOTE 2 MAIN CHANGES IN GROUP STRUCTURE

2.1 Main acquisitions in the year ended December 31, 2011

2.1.1 Acquisition of International Power plc

2.1.1.1 Description of the combination

The acquisition of International Power Plc ("International Power") by GDF SUEZ, publicly announced on August 10, 2010, was completed on February 3, 2011.

The main stages of this business combination were as follows:

- **August 10, 2010:** the Boards of GDF SUEZ and International Power entered into a Memorandum of Understanding detailing the main terms and conditions of the proposed combination of International Power and GDF SUEZ's Energy International business areas (outside Europe), along with certain assets in the United Kingdom and Turkey (collectively, "GDF SUEZ Energy International");
- **October 13, 2010:** GDF SUEZ, Electrabel and International Power signed the Merger Deed and the other main agreements governing the relationship between GDF SUEZ and the new International Power group following the combination;
- **December 16, 2010:** the General Shareholders' Meeting of International Power approved the combination with GDF SUEZ Energy International;
- **February 3, 2011:** GDF SUEZ completed its acquisition of International Power, having met all conditions precedent. These included approval from certain regulatory or competition authorities, some reorganizational measures concerning the corporate structure and the scope of the assets and business contributed, and admission of the new International Power shares to listing on the Official List of the UK Listing Authority (UKLA) and to trading on the London Stock Exchange's main market.

The acquisition of International Power took the form of a contribution by GDF SUEZ of GDF SUEZ Energy International to International Power, in exchange for 3,554,347,956 new ordinary International Power shares issued on February 3, 2011.

As part of the contribution and in accordance with the Merger Deed, GDF SUEZ reorganized the corporate structure and scope of the assets and business contributed. GDF SUEZ also made equity contributions of €5,277 million and GBP 1,413 million (€1,659 million) to GDF SUEZ Energy International entities. On February 25, 2011, the entire sum of the GBP 1,413 million (€1,659 million) capital increase was used to finance a special dividend of GBP 0.92 per share, which was paid to shareholders – excluding holders of new ordinary shares – listed on the Company's share register on February 11, 2011, the record date.

As a result of this combination, GDF SUEZ holds 69.78% of the voting rights of the International Power group.

The combination of International Power and GDF SUEZ Energy International creates a global leader in independent power generation. This will accelerate GDF SUEZ's industrial development and strengthen its international presence in the United States and United Kingdom, as well as in high-growth markets such as the Middle East and Asia.

International Power is fully consolidated in the Group's financial statements with effect from February 3, 2011.

As part of obtaining regulatory clearance from the European Commission, on May 18, 2011 International Power entered into an agreement with Itochu concerning the sale of its interest in the T-Power project in Belgium. The purpose of the T-Power project is to build and operate a 420 MW combined cycle gas turbine facility.

2.1.1.2 Fair value of consideration transferred

The fair value of the consideration transferred to acquire 69.78% of International Power was calculated based on the price of International Power shares on February 3, 2011, the date of the business combination. The fair value transferred amounted to €5,130 million, corresponding to the 1,073 million International Power shares acquired (i.e., 69.78% of existing International Power shares prior to the transaction) multiplied by the February 3 share price of GBP 4.08 per share (1 GBP = €1.17).

2.1.1.3 Impact of the acquisition on the consolidated financial statements

The Group elected to measure non-controlling interests at fair value. The fair value of the non-controlling interests corresponding to the 30.22% of International Power shares that are not held by the Group was calculated based on the price of International Power shares on February 3, 2011. Investments held by third parties in subsidiaries acquired from International Power are measured either based on the discounted future cash flow method or the discounted dividend model.

For the merchant entities, the fair value of plants was determined based on market assumptions available at the acquisition date concerning the price of electricity and fuel, as well as long-term assumptions reflecting the expected trends in the price of raw materials. For entities with contracted plants, the fair value was calculated based on existing business plans and forecasts at the acquisition date. The discount rates applied were based on the specific characteristics of the operating entities concerned.

Prior to the acquisition, GDF SUEZ and International Power held 30% and 40%, respectively, of Middle Eastern entity Hidd Power Company. Hidd Power Company was previously accounted for using the equity method in the consolidated financial statements of both GDF SUEZ and International Power. Following the acquisition of International Power, the Group obtained control of Hidd Power Company (see Note 2.3).

At December 31, 2011, the final accounting for the business combination had been completed.

The following table shows the fair values assigned to the identifiable assets and liabilities of International Power (including Hidd Power Company) at the acquisition date:

	Total
	(in millions of euros)
Non-current assets	
Intangible assets, net	430
Property, plant and equipment, net	10,941
Available-for-sale securities	121
Loans and receivables at amortized cost	1,265
Derivative instruments	87
Investments in associates	1,158
Other non-current assets	89
Deferred tax assets	38
TOTAL NON-CURRENT ASSETS	**14,129**
Current assets	
Loans and receivables at amortized cost	109
Derivative instruments	31
Trade and other receivables, and other assets	1,081
Inventories	334
Cash and cash equivalents	1,232
TOTAL CURRENT ASSETS	**2,787**
Non-current liabilities	
Provisions	116
Long-term borrowings	7,451
Derivative instruments	152
Other non-current liabilities	132
Deferred tax liabilities	1,034
TOTAL NON-CURRENT LIABILITIES	**8,885**
Current liabilities	
Provisions	230

	Total
	(in millions of euros)
Short-term borrowings	669
Derivative instruments	608
Trade and other payables, and other liabilities	1,228
TOTAL CURRENT LIABILITIES	**2,735**
TOTAL NET ASSETS (100%)	**5,296**
Purchase consideration transferred	5,130
Remeasurement of previously-held equity interest in Hidd Power Company	32
Unwinding of the foreign currency derivatives hedging the special dividend	23
Non-controlling interests	2,932
GOODWILL	**2,822**

Goodwill amounting to €2,822 million mainly reflects expected operating synergies (optimization of central and regional costs, streamlining of purchases and maintenance agreements) and financial synergies (refinancing certain borrowings to benefit from the lower financing costs applicable to the new Group).

This acquisition resulted in a €6,458 million increase in equity, of which €6,303 million related to non-controlling interests. The remaining €155 million impact on shareholders' equity reflects the 30% dilution of the Group's interest in GDF SUEZ Energy International as a result of the acquisition of a 69.78% controlling interest in International Power.

This transaction was completed in February 2011 and had a net negative impact of €427 million on the Group's cash flows, which breaks down as:

- cash and cash equivalents acquired at the acquisition date: €1,232 million;
- payment of a special dividend: €(1,659) million.

Acquisition-related costs totaled €64 million and are shown on the "Changes in scope of consolidation" line in the income statement.

Most of these costs were recognized in the second half of 2010.

The contribution of entities acquired from International Power to revenues, current operating income and net income Group share for the year to December 31, 2011 amounted to €4,050 million, €590 million and €208 million, respectively.

If the acquisition had taken place on January 1, 2011, the contribution to revenues and net income Group share would have been €334 million and €74 million, respectively.

2.1.2 Completion of the agreement with Acea Spa concerning the termination of the partnership between the two groups for energy activities in Italy

The agreement dated December 16, 2010 terminated the partnership and shareholder agreement between the Group and Acea concerning energy activities in Italy. It came into effect during the first quarter of 2011, after having met all conditions precedent.

In 2010, the AceaElectrabel group's activities were jointly controlled by GDF SUEZ and Acea and were therefore proportionately consolidated in the Group's financial statements.

Pursuant to the overall agreement entered into with Acea concerning the unwinding of cross-holdings, the parties conducted the following transactions:

- the Group acquired Acea's 50% interest in the capital of power production company Tirreno Power for €108 million, thereby raising the Group's interest in Tirreno Power from 35% to 50%. Tirreno Power is jointly held with Energia Italiana and continues to be consolidated using the proportionate method;

- the Group acquired control of the trading activities of AceaElectrabel Trading Spa (AET) by acquiring AceaElectrabel's interest in AET for an amount of €20 million. AET is now wholly owned by the Group;

- the Group sold its 40.59% interest in AceaElectrabel Elettricita (AEE), a company that markets gas and power in the municipality of Rome, to Acea for €57 million;

- following a spinoff by AceaElectrabel Produzione Spa (AEP), some of AEP's power production assets (hydroelectric production assets and two other power plants near Rome) were transferred to an entity wholly owned by Acea. In consideration of this transfer of assets amounting to €130 million, the Group acquired control of AEP, of which it now owns the entire share capital (following the spinoff) for a price of €76 million;

- the Group acquired pre-emptive rights over the hydroelectric assets transferred to Acea as well as over AEE for an amount of €9 million. Lastly, both groups bought back shareholder loans related to the unwinding transactions, which resulted in a net payment of €25 million to Acea.

Following the acquisition of the controlling interest in AEP and AET, the Group remeasured its previously-held interests in these entities in accordance with IFRS 3. The net impact of this remeasurement and disposal amounted to a negative €6 million and is presented under "Changes in scope of consolidation" within income from operating activities (see Note 5.4, "Changes in scope of consolidation").

At December 31, 2011, the accounting for the business combination had been completed.

The following table shows the fair values assigned to the identifiable assets and liabilities of AET, AEP and their subsidiaries, as well as the carrying amounts of Tirreno Power at December 31, 2011:

	Total
	(in millions of euros)
Non-current assets	
Intangible assets, net	97
Property, plant and equipment, net	1,354
Other non-current assets	58
TOTAL NON-CURRENT ASSETS	**1,509**
Current assets	
Trade and other receivables	646
Other current assets	162
Cash and cash equivalents	202
TOTAL CURRENT ASSETS	**1,010**
Non-current liabilities	
Provisions	37
Long-term borrowings	567
Other non-current liabilities	191
TOTAL NON-CURRENT LIABILITIES	**795**
Current liabilities	
Provisions	14
Short-term borrowings	458
Other current liabilities	597
TOTAL CURRENT LIABILITIES	**1,069**
TOTAL NET ASSETS (100%)	**654**

Taken as a whole, this transaction had a negative €226 million net impact on the Group's cash flows, which breaks down as:

- cash and cash equivalents acquired/sold at the acquisition date: €(174) million;
- net disbursements on acquisitions, sales of shares and net loan repayments: €(52) million.

Following the completion of all of the above transactions, the Group recognized a total of €83 million in goodwill.

For the year ended December 31, 2011, the positive impact of these changes in scope of consolidation on revenues and net income Group share amounted to €214 million and €15 million, respectively.

2.1.3 Acquisition of gas storage sites in Germany

On August 31, 2011, the Group acquired a controlling interest in BEB Speicher Gmbh ("BEB") and ExxonMobil Gasspeicher Deutschland Gmbh ("EMGSG").

These acquisitions were carried out by the Group's wholly-owned subsidiary Storengy Deutschland Infrastructures Gmbh through the following two transactions:

- acquisition of all of the shares of BEB from BEB Erdgas & Erdol Gmbh, a joint venture between Shell and ExxonMobil, for a consideration of €657 million;
- acquisition of all of the shares in EMGSG from Mobil Erdgas-Erdol Gmbh for a consideration of €258 million.

The acquired companies operate underground gas storage sites in Uelsen, Harsefeld, Lesum, Reitbrook and Schmidhausen. EMGSG also holds a 19.7% interest in the Breitbrunn-Eggstädt site.

This purchase consideration may be adjusted to reflect the outcome of negotiations currently in progress with the seller regarding BEB and EMGSG's working capital requirement and net debt at August 31, 2011. The consideration will be finalized at the end of February 2012.

At December 31, 2011, the accounting for the business combination was provisional; it will be finalized during the first half of 2012.

The table below shows the provisional fair values assigned to the identifiable assets and liabilities at the acquisition date:

	Total
	(in millions of euros)
Non-current assets	
Property, plant and equipment, net	403
Available-for-sale securities	38
TOTAL NON-CURRENT ASSETS	**442**
Current assets	
Trade and other receivables, inventories and other assets	25
Cash and cash equivalents	25
TOTAL CURRENT ASSETS	**50**
TOTAL ASSETS	**492**
Non-current liabilities	
Provisions	8
Deferred tax liabilities	87
TOTAL NON-CURRENT LIABILITIES	**96**

	Total
	(in millions of euros)
Current liabilities	
Trade and other payables, and other liabilities	47
TOTAL CURRENT LIABILITIES	**47**
TOTAL NET ASSETS (100%)	**349**
Purchase consideration transferred	915
GOODWILL	566

Provisional goodwill amounted to €566 million.

This transaction had a net impact of €890 million on the Group's cash flows, breaking down as:

- cash and cash equivalents acquired at the acquisition date: €25 million;
- disbursements: €915 million.

Taking into account this transaction, the acquisition contributed €34 million to revenues and €7 million to net income Group share in the year ended December 31, 2011.

2.2 Other changes in scope of consolidation in 2011

In early 2011, the Group launched a "portfolio optimization" program aimed at slashing consolidated net debt by €10 billion over the period 2011-2013.

The disposals and entries of non-controlling shareholders carried out in 2011 within the scope of this program led to a €6,476 million reduction in net debt.

The table below shows the cumulative impact of the main disposals on the Group's financial statements at December 31, 2011:

	Disposal price	Reduction in net debt	Net gain (loss) on disposals and impact of changes in scope recognized in income	Impact recognized in shareholders' equity
	(in millions of euros)			
Disposal of the interest in EFOG	631	(460)	355	-
Entry of a 30% non-controlling shareholder in Exploration & Production	2,491	(2,298)	-	940
Disposal of the interest in GDF SUEZ LNG Liquefaction	672	(579)	479	-
Entry of a 25% non-controlling shareholder in GRTgaz	810	(1,100)	-	167
Investments in electricity and gas distribution in Belgium	-	(723)	533	-
Disposal of G6 Rete Gas	402	(737)	(38)	-
Disposal of a 70% interest in Bristol Water	152	(386)	88	-
Disposal of Noverco	194	(194)	28	-
TOTAL	**5,352**	**(6,476)**	**1,446**	**1,107**

In addition to these disposals effective at December 31, 2011, the Group has recognized operations which are highly likely to be sold within a reasonable timeframe as "Non-current assets held for sale" and "Liabilities directly related to non-current assets held for sale".

The operations concerned are described in Note 2.3, “Assets held for sale”. The reclassification of these operations in the statement of financial position results in a €596 million reduction in net debt.

2.2.1 Disposal of the Group’s interest in EFOG

EFOG was a joint venture (proportionately consolidated) between GDF SUEZ (22.5%) and the operator Total E&P UK Limited (77.5%) which itself holds a 46.2% interest in the Elgin-Franklin natural gas and condensate fields in the British North Sea.

On December 31, 2011, the Group sold its 22.5% interest in EFOG to Total for a consideration of €631 million. The Group received a payment of €496 million corresponding to the consideration for the sale totaling €631 million less €135 million owed by the Group, with the Group’s debt to EFOG transferred to Total as part of the transaction. The gain on disposal amounted to €355 million, including a negative amount of €20 million relating to the reclassification of translation adjustments carried in other comprehensive income to the income statement (see Note 5.4, “Changes in scope of consolidation”).

EFOG’s contribution to net income Group share amounted to €55 million in 2011 (before the impact of the disposal gain) and €76 million in 2010.

The Group’s relationship with EFOG and its transactions with this related party in 2011 and 2010 are detailed in Note 24, “Related party transactions”.

The disposal led to a €460 million reduction in consolidated net debt at December 31, 2011 (representing the payment of €496 million less cash and cash equivalents carried in EFOG’s statement of financial position prior to the sale).

2.2.2 Entry of a 30% non-controlling shareholder in the Group’s Exploration & Production business and disposal of the Group’s interest in GDF SUEZ LNG Liquefaction

As part of the cooperation agreement signed in August 2011 with China Investment Corporation (“CIC”), GDF SUEZ and CIC entered into an agreement on October 31, 2011 for the sale of a 30% non-controlling interest in the Group’s Exploration & Production business (“GDF SUEZ E&P”) to CIC. Under the terms of this agreement, CIC will also acquire GDF SUEZ LNG Liquefaction which holds a 10% stake in the Atlantic LNG facility based in Trinidad and Tobago.

Prior to the transaction and in accordance with the purchase agreement of October 31, the Group carried out measures to restructure GDF SUEZ E&P International, or “EPI” (holding company for GDF SUEZ E&P) and reduce its net debt to USD 1 billion (€749 million).

The sales became effective on December 20, 2011, once the outstanding conditions precedent had been met. These included approval from certain regulatory authorities and measures to restructure EPI’s net debt.

CIC acquired a 30% interest in the share capital of EPI for USD 3,257 million (€2,491 million) on December 20, 2011.

The Group retains exclusive control of GDF SUEZ E&P. As the sale relates to a non-controlling interest, the difference between the sale price and the carrying amount of the interest sold (€1,094 million), was recognized in shareholders’ equity. Taking into account transaction fees, this transaction resulted in a net increase of €940 million in shareholders’ equity. On completion of this transaction, CIC’s non-controlling interest amounted to €1,341 million in the statement of financial position.

Also on December 20, the Group sold its interest in GDF SUEZ LNG Liquefaction for a consideration of USD 879 million (€672 million). This purchase consideration was also paid on December 20, 2011. The capital gain recognized in income on the sale of GDF SUEZ LNG Liquefaction amounted to €479 million (see Note 5.4, “Changes in scope of consolidation”), of which €418 million resulted from reclassifying to income translation adjustments and changes in the fair value of Atlantic LNG available-for-sale securities previously carried in other comprehensive income. Commitments made by the Group prior to the sale to purchase liquefied natural gas from Atlantic LNG remain in force.

Lastly, on December 21, 2011, EPI paid an interim dividend totaling €345 million to its shareholders, including €103 million to CIC.

2.2.3 Entry of a 25% non-controlling shareholder in GRTgas

On June 27, 2011, the Group and the public consortium comprising CNP Assurances, CDC Infrastructure and Caisse des Dépôts entered into a long-term partnership in natural gas transmission.

Pursuant to the investment agreement, the consortium acquired 25% of the share capital and voting rights of the Group's subsidiary GRTgaz, a natural gas transmission network operator in France, for a consideration of €1,110 million. On July 12, 2011, the Group received this amount through (i) the payment of €810 million for the acquisition of 9,782,609 shares representing 18.2% of the share capital and (ii) the subscription of 3,263,188 shares representing 6.8% of the share capital as part of a €300 million reserved capital increase.

Prior to these transactions, GRTgaz paid GDF SUEZ a special dividend of €805 million. GDF SUEZ also remains entitled to the GRTgaz dividend for 2010.

This transaction was effective on June 27, 2011, the date on which the investment agreement and the GRTgaz shareholders' agreement were signed and the conditions precedent were met. The Group retains exclusive control of GRTgaz.

As the sale relates to a non-controlling interest, the difference between the sale price and the carrying amount of the interest sold (€167 million), was recognized in shareholders' equity. On completion of this transaction, the public consortium's non-controlling interest amounted to €923 million in the statement of financial position.

2.2.4 Investments in electricity and gas distribution in Belgium

During the first half of 2011, various transactions were carried out in Flanders and Wallonia concerning the capital of the mixed inter-municipal electricity and gas distribution network operators in which Electrabel, a wholly-owned subsidiary, holds interests.

These transactions are in line with the previous agreements between the Group and the public sector as part of the process of deregulating the energy markets, as well as the intention of the European Union and Belgian legislature to give greater independence to transmission and distribution network operators.

In Flanders, share capital reductions were carried out in June 2011, immediately followed by share capital increases subscribed in full by the public sector. These changes reduced the Group's voting rights at General Shareholders' Meetings.

Further to these transactions, and given the specific context in Flanders, in particular the regional law that requires Electrabel to sell all of its interests in Flemish distribution network operators by 2018, the Group decided to irrevocably waive all representation in the management bodies of Eandis, the sole network operator, and to substantially reduce its voting rights in the decision-making bodies of the mixed inter-municipal companies. The provisions taken regarding governance impacted both Electrabel's representation on the Boards of Directors as well as its voting rights at General Shareholders' Meetings.

In view of these transactions, as of June 30, 2011 the Group no longer exercises significant influence over the Flemish mixed inter-municipal companies. Accordingly, the equity method is no longer applicable and the corresponding shares are presented in "Available-for-sale securities" in the consolidated financial statements for the year ended December 31, 2011. In accordance with the applicable standards, the residual interest was recognized at fair value. The difference between carrying amount and fair value (€425 million) was recognized in the income statement under "Changes in scope of consolidation" within income from operating activities.

In Wallonia, the Group sold 5% of its shares in the inter-municipal companies, bringing its interest to 25%. This sale resulted in a €83 million capital gain recognized in "Changes in scope of consolidation". In the second half of 2011, the Group also sold its entire stake in Intermosane 1 (an inter-municipal company based in Liège), resulting in a gain of €25 million.

Capital reductions were also carried out in June 2011. As the Group's share of these capital reductions exceeded the carrying amount of its equity investments in associates, the surplus was taken to income and the value of the shares was written down to zero. As a result, a positive impact of €49 million was recognized in "Share in net income of associates". The recognition of the Group's share in net income of these entities for subsequent periods will be suspended until the surplus is canceled out. At December 31, 2011, the surplus totaled €70 million.

The legal and political context specific to inter-municipal companies in the Walloon region did not result in any changes in the governance of these entities, which continue to be accounted for using the equity method in the Group's consolidated financial statements.

2.2.5 Disposal of natural gas distribution assets in Italy (G6 Rete Gas)

On October 3, 2011, the Group sold its entire interest in G6 Rete Gas, a gas distributor in Italy, to the consortium of infrastructure funds comprising F2i, AXA Private Equity and Enel Distribution for a consideration of €402 million.

G6 Rete Gas was fully consolidated in the Group's financial statements up to September 30, 2011, when it was deconsolidated.

The contribution of G6 Rete Gas to net income Group share amounted to €5 million in 2011 (before the impact of the disposal loss) and €23 million in 2010.

The sale generated a capital loss of €38 million for the Group (see Note 5.4, "Changes in scope of consolidation") and led to a reduction of €737 million in consolidated net debt (reflecting the consideration of €402 million and the impact of derecognizing the €335 million in net debt carried in G6 Rete Gas' statement of financial position prior to the sale).

2.2.6 Disposal of a 70% interest in Bristol Water

On October 5, 2011, SUEZ Environnement's subsidiary Agbar sold 70% of its interest (18.67% at the level of GDF SUEZ) in Bristol Water, a regulated water distribution company in the UK that was fully consolidated in the Group's financial statements up to the date of sale. The purchase consideration totaled GBP 132 million (€152 million). Taking into account transaction fees, the capital gain generated on disposal amounted to €57 million.

The Group's residual 30% interest in the regulated utility (8% at the level of GDF SUEZ) is accounted for by the equity method. In accordance with IAS 27, the equity interests maintained were measured to fair value at the transaction date.

The cumulative impact of this transaction, shown on the "Changes in scope of consolidation" line within income from operating activities (see Note 5.4, "Changes in scope of consolidation"), amounted to €88 million.

2.3 Assets held for sale

At December 31, 2011, total assets held for sale and liabilities directly related to assets held for sale totaled €1,298 million and €827 million, respectively.

The table below shows the main categories of assets and liabilities reclassified on these two lines of the statement of financial position:

	Dec. 31, 2011
	(in millions of euros)
Property, plant and equipment, net	1,125
Other assets	173
TOTAL ASSETS HELD FOR SALE	**1,298**
Borrowings and debt	596
Other liabilities	231
TOTAL LIABILITIES DIRECTLY RELATED TO ASSETS HELD FOR SALE	**827**

The assets shown on the "Non-current assets held for sale" and "Liabilities directly related to non-current assets held for sale" lines at December 31, 2011 are electricity production assets within the International Power operating segment. The Group expects to finalize the sale of these assets in the first half of 2012.

- Hidd Power Company (Bahrain)

As described in Note 2.1.1, the Group acquired a controlling interest in Hidd Power Company as part of its acquisition of International Power. Hidd Power Company was previously accounted for using the equity method in the consolidated financial statements of both GDF SUEZ and International Power.

In 2011, the Group approved the sale of a portion of its interest in Hidd Power Company, resulting in a loss of control, in order to comply with the rules on market share imposed by the Finance Ministry of the Kingdom of Bahrain.

- Choctaw & Hot Spring (United States)

In 2011, International Power approved the sale of its combined cycle plants Choctaw and Hot Spring (each with a capacity of 746 MW).

- T-Power (Belgium)

The Group acquired an interest in the T-Power project within the scope of its acquisition of International Power (see Note 2.1.1).

To comply with the demands of the European Commission, International Power entered into a sale agreement with Itochu on May 18, 2011.

2.4 Other transactions carried out in 2011

Several other acquisitions and equity transactions took place in 2011, including the acquisition of controlling interests in WSN Environmental Solutions in Australia and Proenergy Contracting in Germany. The individual and aggregate impacts of these transactions on the consolidated financial statements are not material.

2.5 Main transactions in the year ended December 31, 2010

The Group carried out the following transactions in 2010:

2.5.1 Acquisition of a controlling interest in Aguas de Barcelona

The GDF SUEZ Group's acquisition of a controlling interest in the water and environmental activities of Aguas de Barcelona (Agbar) through SUEZ Environnement was finalized on June 8, 2010, the date on which Criteria Caixa Corp (Criteria), the Group's historic partner in Agbar, sold a portion of its Agbar shares to the Group for an amount of €666 million.

Prior to this transaction:

- a delisting tender offer was launched by Agbar in May 2010 on its own shares (investment of €273 million for Agbar);

- Agbar sold all of its interest in Adeslas (healthcare insurance) to Criteria for €687 million on June 8, 2010.

Criteria and SUEZ Environnement also signed a new shareholders' agreement granting SUEZ Environnement control of Hisusa, the Agbar group's holding company.

Since June 8, 2010, the Group has fully consolidated Agbar in its financial statements.

2.5.2 Chile

On January 29, 2010, the GDF SUEZ Group, through its subsidiary SUEZ Energy Andino SA ("SEA"), and Corporación Nacional del Cobre de Chile ("Codelco") decided to reorganize their respective shareholdings in certain companies operating in the Chilean Northern Interconnected System ("SING") by signing a Merger Agreement.

On completion of the merger, the Group held 52.4% of E-CL SA ("E-CL") through its subsidiary SEA. E-CL controls Gasoducto Norandino SA and Gasoducto Norandino Argentina, which were previously controlled by the Group, as well as Electroandina SA, Distrinor SA and Central Termoelectrica Andina, which were previously controlled jointly with Codelco. E-CL continues to proportionately consolidate its interest in Inversiones Hornitos.

The previous shareholders' agreements were terminated as of the date of the merger.

2.5.3 Unwinding of cross-holdings in water management companies with the Veolia Environnement group

In the first quarter of 2010, SUEZ Environnement and Veolia Environnement completed the process of unwinding all of their cross-holdings in water management companies in France. SUEZ Environnement:

- acquired a controlling interest in eight companies previously consolidated by the proportionate method. These companies are now fully consolidated in the Group's financial statements;

- sold to Veolia-Eau all of its interests in Société des Eaux de Marseille and Société des Eaux d'Arles for €131 million.

2.5.4 Acquisition of controlling interests in Astoria

On January 7, 2010, the Group increased its interest in the Astoria Energy I natural gas-fired power plant located in Queens, New York, from 14.8% to 65.4%. This acquisition of additional shares was carried out for €156 million.

Astoria I has been fully consolidated in the Group's financial statements since that date.

2.5.5 Disposal of shareholdings in Fluxys group and Fluxys LNG

In 2010, the Group sold its residual shareholdings in Fluxys and Fluxys LNG to Publigaz for €636 million and €28 million, respectively.

2.5.6 Sale of Elia

In May 2010, GDF SUEZ sold its entire interest in Elia SA (Elia) to Publi-T for a total of €313 million.

NOTE 3 SEGMENT INFORMATION

3.1 Operating segments

The operating segments presented below reflect the segments used by the Group's Management Committee to allocate resources to the segments and assess their performance. No segments have been aggregated. The Management Committee is the Group's "chief operating decision maker" within the meaning of IFRS 8.

Following the acquisition of the International Power plc group (“International Power”) on February 3, 2011 (see Note 2, “Main changes in Group structure”), the Energy Europe & International business line’s activities are now presented under the following segments: Benelux & Germany, Europe and International Power.

In 2010, the Group presented the International Energy activities transferred to International Power within the following three operating segments: North America, Latin America and Middle East, Asia & Africa. The Group’s assets in the United Kingdom and the gas distribution activities in Turkey transferred to International Power were previously shown within the Europe business area.

Comparative segment information for 2010 has been restated to reflect the Group’s new organization at December 31, 2011.

The Group’s eight operating segments are listed below:

- Energy France business line – subsidiaries in this operating segment produce electricity and sell natural gas, electricity and services to private individuals, small business customers and companies in France;

- Energy Benelux & Germany business area – subsidiaries in this operating segment produce and sell electricity and/or gas, in Belgium, the Netherlands, Luxembourg and Germany;

- Energy Europe business area – these subsidiaries produce electricity and/or provide electricity and gas transmission, distribution and sales services in Europe (excluding France, the United Kingdom, Benelux and Germany);

- International Power – these subsidiaries produce and market power in North America, Latin America, Asia, the United Kingdom and Other Europe, the Middle East, Africa and Australia. They also distribute and market gas in North America, Asia, Turkey and Australia. International Power is active in LNG import and regasification in North America and Chile and seawater desalination in the Arabian peninsula;

- Global Gas & LNG business line – these subsidiaries supply gas to the Group and sell energy and service packages to key European players, using proprietary production as well as long-term gas and LNG Contracts;

- Infrastructures business line – subsidiaries in this segment operate gas transportation, storage and distribution networks, and LNG terminals, essentially in France and Germany. They also sell access rights to this infrastructure to third parties;

- Energy Services business line – these subsidiaries provide engineering, installation, maintenance and delegated management services, particularly in relation to electrical and heating facilities, pipeline systems and energy networks;

- SUEZ Environment business line – subsidiaries in this operating 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.

The “Other” line presented in the table below includes contributions from corporate holding companies and entities centralizing the Group’s financing requirements.

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

The main relationships between operating segments concern (i) Energy France and Infrastructures and (ii) Global Gas & LNG and Energy France/Energy Benelux & Germany.

Services relating to the use of the Group's gas infrastructures in France are billed based on a regulated fee applicable to all network users, except for storage infrastructure. The prices for reservations and use of storage facilities are established by storage operators and based on auctions of available capacity.

Sales of molecules between Global Gas & LNG and Energy France/Energy Benelux & Germany 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).

Due to the variety of its business lines and their geographical location, the Group serves a very diverse range of customer types and situations (industry, local authorities and individual customers). Accordingly, no external customer represents individually 10% or more of the Group's consolidated revenues.

3.2 Key indicators by operating segment

REVENUES

	As of December 31,					
	2011			2010		
	External revenues	Intra-group revenues	Total	External revenues	Intra-group revenues	Total
	(in millions of euros)					
Energy France	13,566	478	14,044	14,982	475	15,457
Energy Europe & International	36,656	795	37,451	31,770	277	32,047
of which: Benelux & Germany	13,901	927	14,828	14,257	970	15,228
Europe	7,001	334	7,335	6,491	361	6,852
International Power	15,754	415	16,169	11,022	360	11,382
Intra-business line eliminations		(881)	(881)		(1,414)	(1,414)
Global Gas & LNG	9,936	11,795	21,731	9,173	11,620	20,793
Infrastructures	1,491	4,212	5,703	1,203	4,688	5,891
Energy Services	14,206	204	14,409	13,486	209	13,695
SUEZ Environnement	14,819	10	14,829	13,863	6	13,869
Other	0	0	0	0	0	0
Intra-group eliminations		(17,493)	(17,493)		(17,274)	(17,274)
TOTAL REVENUES	**90,673**	**0**	**90,673**	**84,478**	**0**	**84,478**

EBITDA

	As of December 31,	
	2011	2010
	(in millions of euros)	
Energy France	505	1,023
Energy Europe & International	7,453	5,831
of which: Benelux & Germany	2,216	2,272
Europe	1,061	1,053
International Power	4,225	2,533
Global Gas & LNG	2,386	2,080
Infrastructures	2,991	3,223
Energy Services	1,005	923
SUEZ Environnement	2,513	2,339
Other	(328)	(332)
TOTAL EBITDA	**16,525**	**15,086**

CURRENT OPERATING INCOME

	As of December 31,	
	2011	2010
	(in millions of euros)	
Energy France	70	646
Energy Europe & International	4,775	3,937
of which: Benelux & Germany	1,471	1,657
Europe	600	604
International Power	2,754	1,704
Global Gas & LNG	1,164	961
Infrastructures	1,793	2,071
Energy Services	655	598
SUEZ Environnement	1,039	1,025
Other	(518)	(443)
TOTAL CURRENT OPERATING INCOME	**8,978**	**8,795**

DEPRECIATION AND AMORTIZATION

	As of December 31,	
	2011	2010
	(in millions of euros)	
Energy France	(463)	(418)
Energy Europe & International	(2,603)	(1,811)
of which: Benelux & Germany	(671)	(563)
Europe	(448)	(423)
International Power	(1,484)	(826)
Global Gas & LNG	(1,180)	(1,095)
Infrastructures	(1,178)	(1,159)
Energy Services	(334)	(296)
SUEZ Environnement	(1,039)	(975)
Other	(89)	(85)
TOTAL DEPRECIATION AND AMORTIZATION	**(6,886)**	**(5,839)**

INDUSTRIAL CAPITAL EMPLOYED

	As of December 31,	
	2011	2010
	(in millions of euros)	
Energy France	6,166	6,903
Energy Europe & International	46,386	36,233
of which: Benelux & Germany	8,664	9,768
Europe	7,458	8,318
International Power	30,262	18,185
Global Gas & LNG	8,811	9,027
Infrastructures	20,581	19,072
Energy Services	3,030	2,828
SUEZ Environnement	13,628	13,313
Other	937	155
TOTAL INDUSTRIAL CAPITAL EMPLOYED	**99,539**	**87,530**

CAPITAL EXPENDITURE (CAPEX)

	As of December 31,	
	2011	2010
	(in millions of euros)	
Energy France	510	791
Energy Europe & International	4,336	4,734
of which: Benelux & Germany	1,155	1,550
Europe	668	743
International Power	2,513	2,441
Global Gas & LNG	649	1,149
Infrastructures	2,672	1,787
Energy Services	551	623
SUEZ Environnement	1,916	2,350
Other	114	472
TOTAL CAPITAL EXPENDITURE	**10,748**	**11,906**

Cash and cash equivalents acquired are not included in financial investments within Capex. However, Capex includes the acquisitions of additional interests in controlled entities which are presented under cash flows used in financing activities in the statement of cash flows (€122 million).

3.3 Key indicators by geographic area

The amounts set out below are analyzed by:

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

	As of December 31,			
	Revenues		Industrial capital employed	
	2011	2010	2011	2010
	(in millions of euros)			
France	31,156	31,502	34,302	33,332
Belgium	11,817	11,997	4,010	5,318
Other EU countries	27,640	25,152	29,789	25,460
Other European countries	1,676	1,311	1,691	2,040
North America	5,745	5,004	9,947	7,991
Asia, Middle East and Oceania	7,011	4,574	10,285	5,107
South America	4,673	4,050	9,297	8,100
Africa	957	887	216	180
TOTAL	**90,673**	**84,478**	**99,539**	**87,530**

3.4 Reconciliation of EBITDA

RECONCILIATION OF EBITDA WITH CURRENT OPERATING INCOME

	As of December 31,	
	2011	**2010**
	(in millions of euros)	
Current operating income	8,978	8,795
Depreciation, amortization and provisions	7,115	5,899
Share-based payment (IFRS 2) and other	138	126
Net disbursements under concession contracts	294	265
EBITDA	**16,525**	**15,086**

3.5 Reconciliation of industrial capital employed with items in the statement of financial position

	As of December 31,	
	2011	**2010**
	(in millions of euros)	
(+) Property, plant and equipment and intangible assets, net	103,346	91,483
(+) Goodwill	31,362	27,933
(-) Goodwill arising on the Gaz de France-SUEZ merger(1)	(11,832)	(11,873)
(-) Goodwill arising on the International Power combination(1)	(2,894)	0
(+) IFRIC 4 and IFRIC 12 receivables	2,483	1,402
(+) Investments in associates	2,619	1,980
(+) Trade and other receivables	23,135	20,501
(-) Margin calls(1)(2)	(567)	(547)
(+) Inventories	5,435	3,870
(+) Other current and non-current assets	10,628	8,397
(+) Deferred taxes	(11,659)	(10,528)
(-) Provisions	(16,183)	(14,469)
(+) Actuarial gains and losses recorded in equity (net of deferred taxes)(1)	1,156	657
(-) Trade and other payables	(18,387)	(14,835)
(+) Margin calls(1)(2)	518	542
(-) Other liabilities	(19,623)	(16,983)
INDUSTRIAL CAPITAL EMPLOYED	**99,539**	**87,530**

(1) For the purpose of calculating industrial capital employed, the amounts recorded in respect of these items have been adjusted from those appearing in the statement of financial position.

(2) Margin calls included in “Trade and other receivables” and “Trade and other payables” correspond to advances received or paid as part of collateralization agreements set up by the Group to reduce its exposure to counterparty risk on commodities transactions.

NOTE 4 CURRENT OPERATING INCOME

4.1 Revenues

Group revenues break down as follows:

	As of December 31, 2011	As of December 31, 2010
	(in millions of euros)	
Energy sales	59,499	55,694
Rendering of services	28,953	26,620
Lease and construction contracts	2,221	2,164
REVENUES	**90,673**	**84,478**

In 2011, revenues from lease and construction contracts amounted to €1,056 million and €1,165 million, respectively (€889 million and €1,275 million in 2010).

4.2 Personnel costs

	As of December 31, 2011	As of December 31, 2010
	(in millions of euros)	
Short-term benefits	(12,174)	(11,262)
Shared-based payment (see Note 23)	(145)	(119)
Costs related to defined benefit plans (see Note 18.3.4)	(333)	(261)
Costs related to defined contribution plans (see Note 18.4)	(122)	(113)
TOTAL	**(12,775)**	**(11,755)**

4.3 Depreciation, amortization and provisions

	As of December 31, 2011	As of December 31, 2010
	(in millions of euros)	
Depreciation and amortization	(6,886)	(5,839)
Net change in write-downs of inventories, trade receivables and other assets	(67)	(48)
Net change in provisions	(163)	(12)
TOTAL	**(7,115)**	**(5,899)**

Depreciation and amortization breaks down as €1,130 million for intangible assets and €5,631 million for property, plant and equipment. A breakdown by type of asset is provided in Notes 10 and 11, respectively.

The increase in depreciation and amortization expenses chiefly reflects changes in Group structure resulting from the acquisition of International Power and new assets commissioned in 2011 and 2010 (Gjøa and Vega oil fields, thermal power plants in France, LNG terminals, hydroelectric power plants in Brazil, etc.).

NOTE 5 INCOME FROM OPERATING ACTIVITIES

	As of December 31, 2011	As of December 31, 2010
	(in millions of euros)	
CURRENT OPERATING INCOME	8,978	8,795
Mark-to-market on commodity contracts other than trading instruments	(105)	(106)
Impairment of property, plant and equipment, intangible assets and financial assets	(532)	(1,468)
Restructuring costs	(189)	(206)
Changes in scope of consolidation	1,514	1,185
Other non-recurring items	18	1,297
INCOME FROM OPERATING ACTIVITIES	**9,684**	**9,497**

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

In 2011, this item represents a net loss of €105 million (compared with a net loss of €106 million in 2010), chiefly reflecting:

- changes in the fair value of electricity and natural gas sale and purchase contracts falling within the scope of IAS 39 and financial instruments used as economic hedges but not eligible for hedge accounting, resulting in a net loss of €125 million (net loss of €139 million in 2010). This net loss is mainly due to a negative price effect related to changes in the forward prices of the underlying commodities during the period. The net negative impact is partly offset by the positive impact of the settlement of positions with a negative market value at December 31, 2010;

- the ineffective portion of cash flow hedges of non-financial assets, representing a gain of €20 million (compared to a gain of €33 million in 2010).

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

	As of December 31, 2011	As of December 31, 2010
	(in millions of euros)	
Impairment losses:		
Goodwill	(61)	(169)
Property, plant and equipment and other intangible assets	(332)	(1,220)
Financial assets	(212)	(113)
TOTAL IMPAIRMENT LOSSES	**(605)**	**(1,502)**
Reversals of impairment losses:		
Property, plant and equipment and other intangible assets	45	13
Financial assets	28	20
TOTAL REVERSALS OF IMPAIRMENT LOSSES	73	34
TOTAL	**(532)**	**(1,468)**

5.2.1 Impairment of goodwill

In 2011, the Group recognized a €61 million impairment loss against goodwill allocated to the Energy – Southern Europe CGU, in light of Greece’s current economic situation and the uncertainty regarding the medium-to long-term conditions of this market.

The value in use of these activities was measured using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group’s Management Committee. A terminal value was obtained based on the cash flows extrapolated beyond the six-year period using a 0% to 2% growth rate depending on the activities concerned. The discount rates applied to these forecasts range from 5.8% to 12.3% depending on the activities concerned.

A 0.1% increase in the discount rate would have an additional negative impact of €54 million on the recoverable value of the Energy – Southern Europe CGU.

In 2010, the Group recognized a €134 million impairment loss against goodwill relating to a gas distribution company in Turkey due to the persistent difficulties encountered by a major industrial customer as well as the risk of changes in the tariff regulation in Turkey as from 2017. The Group also recognized an impairment loss of €175 million against its gas transportation business in Germany, following the decision by the German regulator (BNetza) to reduce grid fees applied by grid operators (pipe-in-pipe network partners) in Germany. The impairment loss was charged against goodwill allocated to the Transportation Germany CGU in an amount of €27 million, and against property, plant and equipment and intangible assets relating to the Megal network in an amount of €148 million.

5.2.2 Impairment of property, plant and equipment and intangible assets (excluding goodwill)

The net impairment losses recognized in 2011 chiefly related to power production assets in Spain in the Energy Europe business line (€120 million) and the United States in the International Power business line (€86 million). No other impairment loss was material taken individually.

As difficult market conditions continued in Spain, the Group recognized a €120 million impairment loss against a combined cycle power plant. The value in use of this asset was calculated using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee, and beyond this period using the future cash flows estimated until the end of the asset's useful life. A 7.9% discount rate was applied to these forecasts.

A 0.1% increase in the discount rate would not have a material impact on the result of the impairment test.

An impairment loss of €86 million was recognized against one of the Group's power plants in the United States following a succession of technical problems resulting in lower availability and thermal efficiency rates. The value in use of this asset was calculated using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee, and beyond this period using the future cash flows estimated until the end of the long-term power sale agreement. A 5.7% discount rate was applied to these forecasts. The cumulative impact of a 1% decrease in both the availability and thermal efficiency rates of an asset would result in a decrease of €10 million in the asset's recoverable value.

In 2010, the Group recognized impairment losses mainly against the following assets:

- the long-term gas supply contract portfolio due to the persistent spread between gas and oil prices in a market where gas supplies exceed demand (€548 million);
- some production assets and exploration licenses in Egypt, Libya and the Gulf of Mexico belonging to the Global Gas & LNG business line, due to worse-than-expected development prospects (€95 million);
- a power production unit in Spain within the Energy Europe business line (€131 million);
- the Megal transportation network within the Infrastructures business line (€148 million; see section 5.2.1).

5.2.3 Impairment of financial assets

Impairment losses recognized against financial assets in 2011, net of reversals of impairment losses, amounted to €184 million, with no individual impairment loss being material.

In 2010, the Group recognized impairment losses for a net amount of €93 million, including an additional impairment loss of €46 million taken against Gas Natural shares sold in the second half of the year. Other impairment losses recognized against available-for-sale securities were not material taken individually.

5.3 Restructuring costs

Restructuring costs in 2011 mainly include in the International Power business line costs relating to the implementation of the combination and operating synergies and also costs incurred to adapt to economic conditions in the United States (€89 million) and costs incurred to adapt to economic conditions in the SUEZ Environnement (€40 million) and Energy Services (€37 million) business lines.

Restructuring costs recognized in 2010 resulted chiefly from measures taken to adapt to economic conditions in the SUEZ Environnement (€83 million) and Energy Services (€86 million) business lines. They also included the costs of regrouping sites in Brussels (€16 million).

5.4 Changes in scope of consolidation

In 2011, this item includes capital gains on the disposal of shares in GDF SUEZ LNG Liquefaction (€479 million), EFOG (€355 million), Noverco (€28 million) and Bristol Water (€88 million), capital losses on the disposal of G6 Rete Gas (€38 million), and a €108 million capital gain on the disposal of a portion of the share capital of the inter-municipal companies in the Walloon region.

This item also includes the positive impact of remeasuring at fair value the previously-held equity interests in the Flemish inter-municipal companies (€425 million) following the loss of significant influence and the recognition of these shares as "available-for-sale securities".

	Section of Note 2	Net gain (loss) on disposals	Sale costs	Fair value adjustments	Total
		(in millions of euros)			
Transactions in the year ended December 31, 2011					
Disposal of shares in GDF SUEZ LNG Liquefaction	2.2.2	508	(29)		479
Disposal of shares in EFOG	2.2.1	354	1		355
Disposal of shares in Noverco		28			28
Disposal of shares in G6 Rete Gas	2.2.5	(34)	(4)		(38)
Disposal of shares in Bristol Water	2.2.6	63	(6)	31	88
Partial disposal of Walloon inter-municipal companies	2.2.4	108			108
Loss of significant influence over Flemish inter-municipal companies	2.2.4			425	425
Other					69
TOTAL IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION					**1,514**

In 2010, this item comprised capital gains on the disposal of Fluxys shares (€422 million) and Elia shares (€238 million), and of interests in Société des Eaux de Marseille and Société des Eaux d'Arles as part of the unwinding of cross-holdings with the Veolia Environnement group (€81 million).

This item also included the impacts of remeasuring previously-held interests (i) in power and transmission assets in Chile (€148 million), (ii) in Lyonnaise des Eaux following the acquisition of controlling interests as part of the unwinding of cross-holdings with the Veolia Environnement group (€120 million), and (iii) in connection with the acquisition of a controlling interest in the Hisusa/Agbar group (€167 million).

5.5 Other non-recurring items

In 2011, this item mainly includes €33 million in capital gains on the disposal of a building in the SUEZ Environnement business line. The other items included in this caption are not material taken individually.

In 2010, this caption mainly reflected the impact of revisions to the timing of dismantling provisions for gas infrastructures in France (Transportation and Distribution) for €1,141 million.

These provisions cover obligations to secure distribution and transportation networks at the end of their operating lives, which are estimated based on known global gas reserves.

The Group revised the timing of its legal obligations in 2010 to reflect recent studies of gas reserves. Based on the publication of the International Energy Agency, which, on the basis of current production levels, estimated that proven and probable gas reserves were assured for another 250 years, the discounting of these provisions over such a long period results in a present value of virtually zero. These dismantling provisions had been recognized in 2008 in connection with the SUEZ-Gaz de France business combination, but with no matching entry in assets due to their nature.

Accordingly, the provision for dismantling gas infrastructures in France was written back through income.

NOTE 6 NET FINANCIAL INCOME/(LOSS)

	As of December 31,					
	2011			2010		
	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt(1)	(2,188)	243	(1,945)	(1,738)	171	(1,566)
Other financial income and expenses(1)	(1,195)	535	(661)	(1,073)	417	(655)
NET FINANCIAL INCOME/(LOSS)	**(3,383)**	**778**	**(2,606)**	**(2,810)**	**589**	**(2,222)**

(1) Following a change in the definition of total "net debt" (see Note 14.3 "Net debt"), to ensure comparability between the two periods, an amount of €120 million has been reclassified from "Cost of net debt" to "Other financial expenses" at December 31, 2010.

6.1 Cost of net debt

The main items of the cost of net debt break down as follows:

	Expenses	Income	Total Dec. 31, 2011	Dec. 31, 2010
	(in millions of euros)			
Interest on gross borrowings	(2,511)		(2,511)	(2,074)
Foreign exchange gains/losses on borrowings and hedges	(57)	—	(57)	16
Ineffective portion of fair value hedges	—	5	5	(6)
Gains and losses on cash and cash equivalents and financial assets at fair value through income	—	238	238	156
Capitalized borrowing costs	379	—	379	342
COST OF NET DEBT	**(2,188)**	**243**	**(1,945)**	**(1,566)**

The increase in the cost of net debt essentially reflects the year-on-year rise in average debt outstanding (see Note 14.3 "Net debt").

6.2 Other financial income and expenses

	As of December 31,	
	2011	2010
	(in millions of euros)	
Other financial expenses		
Gains and losses on economic hedges of other financial items	(257)	(135)
Unwinding of discounting adjustments to provisions	(845)	(791)
Interest on trade and other payables	(83)	(86)
Exchange losses	(4)	(43)
Other financial expenses	(6)	(17)
TOTAL	**(1,195)**	**(1,073)**
Other financial income		
Expected return on pension plan assets	248	204
Income from available-for-sale securities	140	128
Interest income on trade and other receivables	69	50
Interest income on loans and receivables at amortized cost	51	21
Exchange gains	15	0
Other financial income	12	14
TOTAL	535	417
OTHER FINANCIAL INCOME AND EXPENSES, NET	**(661)**	**(655)**

NOTE 7 INCOME TAX EXPENSE

7.1 Actual income tax expense recognized in the income statement

7.1.1 Breakdown of actual income tax expense recognized in the income statement

The income tax expense recognized in the income statement for 2011 amounts to €2,119 million (€1,913 million in 2010), breaking down as:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Current income taxes	(1,647)	(2,164)
Deferred taxes	(473)	251
TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME FOR THE YEAR	**(2,119)**	**(1,913)**

7.1.2 Reconciliation of theoretical income tax expense with actual income tax expense

A reconciliation of theoretical income tax expense with the Group's actual income tax expense is presented below:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Net income	5,420	5,626
Share in net income of associates	462	264
Income tax expense	(2,119)	(1,913)
Income before income tax expense and share in net income of associates (A)	7,078	7,275
Of which French companies	640	2,010
Of which companies outside France	6,438	5,265
Statutory income tax rate of the parent (B)	**36.10%**	**34.43%**

	As of December 31,	
	2011	2010
	(in millions of euros)	
THEORETICAL INCOME TAX EXPENSE (C) = (A) X (B)	**(2,555)**	**(2,505)**
Actual income tax expense		
Difference between statutory tax rate applicable to the parent and statutory tax rate in force in jurisdictions in France and abroad	94	125
Permanent differences	(80)	(117)
Income taxed at a reduced rate or tax-exempt (a)	758	770
Additional tax expense (b)	(491)	(299)
Effect of unrecognized deferred tax assets on tax loss carry-forwards and other tax-deductible temporary differences	(320)	(220)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	80	91
Impact of changes in tax rates (c)	(45)	19
Tax credits and other tax reductions (d)	435	199
Other	7	23
ACTUAL INCOME TAX EXPENSE	**(2,119)**	**(1,913)**
EFFECTIVE TAX RATE (ACTUAL INCOME TAX EXPENSE DIVIDED BY INCOME BEFORE INCOME TAX AND SHARE IN NET INCOME OF ASSOCIATES)	**29.9%**	**26.3%**

(a) Reflects mainly capital gains on disposals of shares exempt from tax or taxed at a reduced rate in Luxembourg, Belgium and Germany, lower tax rates applicable to securities transactions in France, special tax regimes used for certain entities in Luxembourg, Belgium and Thailand, the impact on income of remeasuring previously-held equity interests in connection with acquisitions, and changes in consolidation methods described in Note 5.4, “Changes in scope of consolidation”.

(b) Includes mainly the tax on dividends and interest levied in several tax jurisdictions, the tax on nuclear activities payable by nuclear-sourced electricity utilities in Belgium (€212 million in both 2011 and 2010), and regional corporate taxes.

(c) Includes mainly the impact of the increased tax rate on Exploration & Production activities in the UK in 2011 (from 50% to 62%), the reduced tax rate on other UK activities (from 27% to 25%), and changes in the tax rate in France (for reversals of temporary differences in 2012), and Hungary.

(d) Includes mainly the impact of deductible notional interest in Belgium and tax credits in Norway and Italy.

In 2011, the income tax rate payable by companies in France with revenues over €250 million was increased to 36.10% (34.43% in 2010). The new tax rate results from the introduction of an exceptional 5% contribution payable in respect of 2011 and 2012.

For French companies, the temporary differences expected to reverse after 2012 continue to be measured at the rate of 34.43%.

The increase in the effective tax rate results primarily from:

- the rise in the proportion of earnings in highly taxed jurisdictions and particularly in the Exploration & Production sector, where the tax rate is above 50%;
- the end-March 2011 increase in the tax rate for Exploration & Production activities in the United Kingdom from 50% to 62%;
- the year-on-year fall in disposal gains taxed at a reduced rate or tax-exempt.

7.1.3 Analysis of the deferred tax income (expense) recognized in the income statement, by type of temporary difference

	Impacts in the income statement	
	As of December 31,	
	2011	2010
	(in millions of euros)	
Deferred tax assets:		
Tax loss carry-forwards and tax credits	156	170
Pension obligations	(60)	35
Non-deductible provisions	177	106
Difference between the carrying amount of PP&E and intangible assets and their tax bases	(45)	20
Measurement of financial instruments at fair value (IAS 32/39)	127	(61)
Other	(547)	226
TOTAL	**(192)**	**496**
Deferred tax liabilities:		
Difference between the carrying amount of PP&E and intangible assets and their tax bases	(282)	(118)
Tax-driven provisions	(75)	(38)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(151)	146
Other	227	(235)
TOTAL	**(281)**	**(245)**
NET DEFERRED TAX ASSETS/(LIABILITIES)	**(473)**	**251**

7.2 Deferred tax income (expense) recognized in "Other comprehensive income"

Net deferred tax income (expense) recognized in "Other comprehensive income" is broken down by component as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Available-for-sale financial assets	(9)	(5)
Actuarial gains and losses	247	158
Net investment hedges	37	12
Commodity cash flow hedges	(129)	(140)
Other cash flow hedges	32	(4)
TOTAL EXCLUDING SHARE OF ASSOCIATES	**178**	**21**
Share of associates	30	(1)
TOTAL	**208**	**20**

7.3 Deferred taxes presented in the statement of financial position

7.3.1 Change in deferred taxes

Changes in deferred taxes recognized in the statement of financial position, after netting deferred tax assets and liabilities by tax entity, break down as follows:

	Assets	Liabilities	Net position
		(in millions of euros)	
At December 31, 2010 (before correction)	**1,669**	**(12,437)**	**(10,768)**
Correction of prior-period error – see Note 1.2	240		240
At December 31, 2010 (after correction)	**1,909**	**(12,437)**	**(10,528)**

	Assets	Liabilities	Net position
	(in millions of euros)		
Impact on net income for the year	(192)	(280)	(472)
Impact on other comprehensive income	478	(224)	254
Impact of changes in scope of consolidation	1,190	(2,025)	(835)
Currency effect	61	(128)	(67)
Other	120	(131)	(11)
Impact of netting by tax entity	(2,187)	2,187	0
AT DECEMBER 31, 2011	**1,379**	**(13,038)**	**(11,659)**

The impact of changes in the scope of consolidation essentially reflects the acquisition of International Power (see Note 2, "Main changes in Group structure").

7.3.2 Analysis of the net deferred tax position recognized in the statement of financial position (before netting deferred tax assets and liabilities by tax entity), by type of temporary difference

	Statement of financial position at	
	As of December 31,	
	2011	2010
	(in millions of euros)	
Deferred tax assets:		
Tax loss carry-forwards and tax credits	1,835	1,453
Pension obligations	1,404	1,171
Non-deductible provisions	956	686
Difference between the carrying amount of PP&E and intangible assets and their tax bases	1,321	994
Measurement of financial instruments at fair value (IAS 32/39)	1,283	569
Other	849	1,119
TOTAL	**7,648**	**5,992**
Deferred tax liabilities:		
Difference between the carrying amount of PP&E and intangible assets and their tax bases	(16,714)	(14,688)
Tax-driven provisions	(334)	(264)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(1,194)	(539)
Other	(1,065)	(1,029)
TOTAL	**(19,307)**	**(16,520)**
NET DEFERRED TAX ASSETS/(LIABILITIES)	**(11,659)**	**(10,528)**

A total of €1,835 million in deferred tax assets were recognized in respect of tax losses and tax credits carried forward at December 31, 2011 (€1,453 million at end-2010). As in 2010, this amount includes all tax loss carry-forwards relating to the GDF SUEZ SA and SUEZ Environnement tax consolidation groups.

The Group estimates that all tax loss carry-forwards relating to the International Power North America tax consolidation group will be utilized over a period of ten years.

Had the tax laws and regulations remained the same in 2011 as in 2010, the SUEZ Environnement tax consolidation group would utilize most of its deferred tax assets recognized on tax loss carryforwards over the period covered by the medium-term business plan (2012-2017) approved by management. Despite the new regulations voted in 2011 (tax losses carried forward may only be offset against 60% of taxable income for the year), the Group considers that this tax consolidation group could still utilize all of its deferred tax assets arising on tax loss carryforwards, approximately 40% of which during the period of the medium-term business plan.

Aside from these two tax consolidation groups, GDF SUEZ considers that all material tax loss carryforwards recognized as deferred tax assets in the statement of financial position will be utilized over the period covered by the medium-term business plan (2012-2017) approved by management.

7.4 Unrecognized deferred taxes

7.4.1 Unrecognized deductible temporary differences

At December 31, 2011, the tax effect of tax losses and tax credits eligible for carry-forward but not utilized and not recognized in the statement of financial position amounted to €1,112 million (€783 million at December 31, 2010). Most of these unrecognized tax losses relate to companies based in countries which allow losses to be carried forward indefinitely (mainly Belgium, France and Luxembourg).

Following a decision issued by the European Court of Justice on February 12, 2009 in the Cobelfret case, Belgium was sanctioned for its "'Dividends Received Deduction" (DRD) regime. Deduction of dividends received are now required to be carried forward. In 2011, the Group obtained formal approval from the Belgian Ruling Commission regarding the terms and conditions for transferring and utilizing deduction of dividends received arising from mergers and spin-offs. As some Group entities are not expected to have sufficient taxable profits over the medium-term (in particular GDF SUEZ Belgium and Genfina), these entities did not recognize deferred tax assets on these deductible carry-forwards. The tax impact of these unrecognized items amounts to €340 million and is included in the amount of €1,112 million relating to tax loss and tax credit carry-forwards not utilized and not recognized in the statement of financial position at December 31, 2011.

The tax effect of other tax-deductible temporary differences not recorded in the statement of financial position was €238 million at end-December 2011 versus €198 million at end-December 2010.

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

No material 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.

NOTE 8 EARNINGS PER SHARE

	As of December 31,	
	2011	**2010**
	(in millions of euros)	
Numerator		
Net income Group share*	**4,003**	**4,616**
Impact of dilutive instruments		
International Power convertible bond issues	(19)	
Diluted net income Group share	**3,984**	**4,616**
Denominator: (in millions of shares)		
Average number of shares outstanding	2,221	2,188
Impact of dilutive instruments		
Bonus share plan reserved for employees	9	5
Employee stock subscription and purchase plans	3	5
DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	**2,233**	**2,197**
Earnings per share (in euros)		
Earnings per share	**1.8**	**2.1**
Diluted earnings per share	**1.8**	**2.1**

* The share in net income of SUEZ Environnement included in net income Group share represents the share in income after deduction of the coupon attributable to holders of the SUEZ Environnement hybrid shares described in Note 16.7, "Non-controlling interests". The dilutive impact of these shares is therefore already taken into account in earnings per share.

The Group's dilutive instruments included in the calculation of diluted earnings per share are detailed in Note 23.1, "Stock option plans" and 23.3, "Bonus shares and Performance Shares".

Diluted earnings per share does not take into account the stock subscription options granted to employees at an exercise price higher than the average annual GDF SUEZ share price. The plans in question date from 2007, 2008 and 2009 and are described in Note 23.1.1, "Details of stock option plans in force".

Instruments that were accretive at December 31, 2011 may become dilutive in subsequent periods due to changes in the average annual share price.

NOTE 9 GOODWILL

9.1 Movements in the carrying amount of goodwill

	Gross amount	Impairment losses	Net amount
		(in millions of euros)	
At December 31, 2009	**28,238**	**(249)**	**27,989**
Correction of prior-period error (see Note 1.2)	366		366
Restated balance at January 1, 2010	**28,604**	**(249)**	**28,355**
Impairment		(169)	
Changes in scope of consolidation	(82)	23	
Translation adjustments	324	(15)	
Other	(514)	11	
At December 31, 2010	**28,332**	**(399)**	**27,933**
Impairment		(61)	
Changes in scope of consolidation and other	3,343	23	
Translation adjustments	107	17	
AT DECEMBER 31, 2011	**31,782**	**(420)**	**31,362**

The increase in goodwill in the statement of financial position at December 31, 2011 primarily reflects €2,822 million in goodwill arising on the acquisition of International Power (see Note 2, "Main changes in Group structure), €566 million in provisional goodwill arising on the acquisition of underground gas storage sites in Germany (see Note 2), and €129 million in goodwill arising on the acquisition of Ne Varietur (Energy services). These additions to goodwill were partly offset by the €209 million in goodwill derecognized following the partial sale of Walloon inter-municipal companies and the loss of significant influence over Flemish inter-municipal companies.

An impairment loss of €61 million was taken against goodwill for the Energy – Southern Europe CGU as a result of the annual impairment tests carried out in 2011.

In 2010, changes in goodwill related mainly to the acquisition of a controlling interest in the Hisusa/Agbar Group, which added €394 million to goodwill; the unwinding of cross-holdings previously held by Lyonnaise des Eaux and Veolia Environnement, which added €203 million; and the derecognition of the share of goodwill sold as part of the disposal of Elia shares, which reduced goodwill by €155 million.

The negative amount of €514 million shown in "Other" mainly reflected the finalization of the opening statement of financial position of German entities acquired from E.ON in 2009 (€336 million).

An impairment loss was recognized in 2010 against goodwill on a gas distribution entity in Turkey (€134 million) and against goodwill assigned to the Infrastructures-Transmission Germany CGU (€27 million).

9.2 Main goodwill CGUs

9.2.1 Definition of International Power goodwill CGUs

Following the acquisition of International Power and the reorganization of the Group's international energy production and sale operations (see Note 2, "Main changes in Group structure" and Note 3.1, "Operating segments”), GDF SUEZ and International Power determined the groups of cash-generating units to which the €2,822 million in goodwill generated on the International Power acquisition and the legacy €1,305 million in goodwill on the Energy International business transferred to International Power were to be allocated (“goodwill CGUs”).

Six goodwill CGUs were identified, corresponding to the regional management levels within International Power: International Power – North America CGU, International Power – Latin America CGU, International Power – Asia CGU, International Power – United Kingdom & Other Europe CGU, International Power – Middle East, Turkey & Africa CGU and International Power – Australia CGU.

At December 31, 2011, the Group provisionally allocated this goodwill among the six goodwill CGUs. The six goodwill CGUs and this provisional allocation were then used as a basis for the 2011 annual impairment tests.

The allocation of goodwill arising on the acquisition of International Power will be finalized in 2012.

9.2.2 Presentation of the main goodwill CGUs

The table below provides a breakdown of goodwill by CGU:

CGU	Operating segment	As of December 31, 2011	As of December 31, 2010
		(in millions of euros)	
MATERIAL CGUS(1)			
Energy – Benelux & Germany	Energy – Benelux & Germany	7,536	7,777
Midstream/Downstream	Global Gas & LNG	4,296	4,266
Distribution(2)	Infrastructures	4,009	4,009
Energy – France	Energy France	2,906	2,885
International Power - North America	Energy – International Power	1,627	696
OTHER SIGNIFICANT CGUS			
Storage(2)	Infrastructures	1,359	1,359
International Power – Asia	Energy – International Power	820	479
International Power - United Kingdom & Other Europe	Energy – International Power	663	23
Transmission France(2)	Infrastructures	614	614
Energy - Eastern Europe	Energy Europe	595	627
OTHER CGUS (individually less than €600 million)(2)		6,938	5,198
TOTAL		**31,362**	**27,933**

(1) Material CGUs correspond to CGUs that represent over 5% of the Group’s total goodwill.

(2) Goodwill amounting to €366 million, resulting from the correction of the prior-period error presented in Note 1,2 was allocated to the following CGUs: Distribution (€129 million), Storage (€91 million), Transmission France (€78 million) and the Terminals CGU in the Infrastructures business line (€68 million).

9.3 Impairment testing of goodwill CGUs

All goodwill 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 recoverable amount of CGUs is determined using a number of different methods including discounted cash flows and the regulated asset base (RAB). The discounted cash flows method uses cash flow forecasts covering an explicit period of six years and resulting from the medium-term business plan approved by the Group’s Management Committee. When the discounted cash flows method is used, value in use is calculated on the basis of three scenarios (“low”, “medium” and “high”). The “medium” scenario, which management deems the most probable, is usually preferred.

The recoverable amounts that result from applying these three scenarios (“low”, “medium” and “high”) are based on key assumptions such as discount rates. 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 risk-free market interest rates plus a country risk premium. The post-tax rates used in 2011 to measure the value in use of goodwill CGUs in the cash flow forecasts were between 5.2% and 13.6% in 2011 (between 4.6% and 11.6% in 2010).

9.3.1 Material CGUs

Except for the Energy – Benelux & Germany, Midstream/Downstream, Distribution, Energy – France and International Power – North America CGUs (see below), no individual amount of goodwill allocated to CGUs represents more than 5% of the Group’s total goodwill.

Based on events that are reasonably likely to occur as of the end of the reporting period, the Group considers that any changes in the key assumptions described below would not increase the carrying amount of goodwill in excess of the recoverable amount.

Goodwill allocated to the Energy – Benelux & Germany CGU

The total amount of goodwill allocated to this CGU was €7,536 million at December 31, 2011. This CGU includes the Group’s electricity production, sales and distribution activities in Belgium, the Netherlands, Luxembourg and Germany.

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 the Group’s Management Committee, covering a period of six years, and discount rates between 6.5% and 9%. A terminal value was obtained based on the cash flows extrapolated beyond the six-year period using a growth rate equal to expected inflation (1.9%).

Key assumptions include the discount rates and expected trends in long-term prices for electricity and fuel. These inputs reflect the Group’s best estimates of energy 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. The regulatory framework used is consistent with a perspective of industry stability and takes into account the various national regulations in force in the region and any agreements between the Group and local governments.

An increase of 0.5% in the discount rate used would have a negative 32.5% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 48.7% impact on this calculation.

A decrease of €1/MWh in average spreads on the terminal value would have a negative 12.2% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. An increase of €1/MWh in average spreads on the terminal value would have a positive 12.2% impact on this calculation.

Various extreme transformational scenarios have been considered. The disappearance of all nuclear components in the portfolio after a period of 40 years operating the current plants and the resulting change in the corresponding nuclear taxes would have a sharply negative impact (91% on the excess of the recoverable value over the carrying amount, without taking account of the positive impact of replacement and the effect on energy prices), however, this scenario does not call into question the carrying amount of the CGU.

Goodwill allocated to the Midstream/Downstream CGU

The total amount of goodwill allocated to this CGU was €4,296 million at December 31, 2011. The Midstream/Downstream CGU includes Group entities that supply gas to the Group under supply contracts and by using organized markets, and that market energy offers and related energy services to the Group's largest customers in Europe.

The recoverable amount of the Midstream/Downstream CGU is also calculated on the basis of value in use, using cash flow forecasts. The discount rates applied to these forecasts range from 8% to 9.1% depending on business and country risks. The recoverable amount includes a terminal value for the period beyond six years, calculated by applying a long-term growth rate (ranging from 0% to 3% depending on the activities) to normative EBITDA in the last year of the forecasts.

The key assumptions and estimates include the discount rates, estimated hydrocarbon prices, changes in the euro/dollar exchange rate, the market outlook, and the expected period required for the realignment of oil and gas prices. The inputs used reflect the best estimates of market prices and expected market trends.

In the "medium" scenario used by management in its medium-term business plan, the Group expects the partial realignment of oil and gas prices as from 2013 and a full realignment as from 2014. If the prices realign one year later, the excess of the recoverable amount over the carrying amount would decrease by 9.8%. However, the recoverable amount would remain above the carrying amount.

An increase of 0.5% in the discount rate used would have a negative 69.1% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 79.9% impact on this calculation.

A 0.5% increase in the long-term growth rate used to determine the terminal value would have a positive 52% impact on the excess of the recoverable amount over the carrying amount. A 0.5% decrease in the long-term growth rate would have a negative 45% impact on this calculation. However, the recoverable amount would remain above the carrying amount.

Goodwill allocated to the Distribution CGU

The total amount of goodwill allocated to this CGU was €4,009 million at December 31, 2011. The Distribution CGU includes the Group's gas distribution activities in France.

The recoverable amount of this CGU was calculated using a method based on the regulated asset base (RAB). The RAB is the amount assigned by the regulator to assets operated by the distributor, and is the sum of future pre-tax cash flows, discounted at a rate equal to the pre-tax rate of return guaranteed by the regulator.

Goodwill allocated to the Energy – France CGU

The total amount of goodwill allocated to this CGU was €2,906 million at December 31, 2011. The Energy – France CGU comprises a range of activities including the production of electricity, the sale of gas, electricity and associated services, and the provision of eco-friendly solutions for housing.

The recoverable amount of the CGU is determined on the basis of the value in use of the group of assets, calculated primarily using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee. The key assumptions used are related to the operating conditions expected by the Group's Management Committee, in particular regulatory rates, market prices, expected trends in long-term prices for electricity and fuel, the future market outlook and the applicable discount rates. The inputs used for each of these assumptions reflect past experience as well as best estimates of market prices.

For power generation assets, cash flows are projected either over the useful life of the underlying assets or over the term of the contracts associated with the activities of the entities included in the CGU.

For the gas and electricity sales business unit, a terminal value was calculated by extrapolating the cash flows beyond the medium-term business plan.

The discount rates used range from 6.1% and 9.5% and correspond to the weighted average cost of capital adjusted to reflect the business risks relating to the assets comprising the CGU.

An increase of 0.5% in the discount rate used would have a negative 19.5% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 22.2% impact on this calculation.

A decrease of €1/MWh in gas and electricity sale prices would have a negative 15% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. An increase of €1/MWh in gas and electricity sale prices would have a positive 15.5% impact on this calculation.

Goodwill allocated to the International Power – North America CGU

The total amount of goodwill allocated to this CGU was €1,627 million at December 31, 2011. The entities included in this CGU produce electricity and sell electricity and gas in the US, Mexico and Canada. They are also involved in LNG imports and regasification.

The recoverable amount of this International Power - North America CGU is determined on the basis of the value in use of the group of assets, calculated primarily using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee.

For electricity production activities, the terminal value was calculated for each asset class by extrapolating the cash flows expected through to the expiry of the license to operate the facilities. For the LNG and retail electricity sales business, the terminal value was calculated by extrapolating cash flows beyond the last year of the medium-term business plan using growth rates of between 0% and 1%.

Key assumptions include long-term trends in electricity and fuel prices, the future market outlook and the discount rates applied. The inputs used for these assumptions reflect best estimates of market prices. The discount rates used in 2011 range from 5.7% to 10.3%, depending on the business concerned.

An increase of 0.5% in the discount rate used would have a negative 83.2% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 83.1% impact on this calculation.

A decrease of USD 1/MMBtu (Million Metric British thermal units) in gas prices would have a negative 90.2% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. An increase of USD 1/MMBtu in gas sale prices would have a positive 90.2% impact on this calculation.

9.3.2 Other significant CGUs

The table below sets out the assumptions used to determine the recoverable amount of other significant CGUs. The discounted cash flows method (CDF) or dividend discount model (DDM) is used to determine value in use. The recoverable amount of certain CGUs is calculated using the RAB or based on valuations used in recent transactions.

CGU	Operating segment	Measurement	Taux d'actualisation
Storage	Infrastructures	DCF	5.9% - 6.6%
International Power – Asia	Energy - International Power	DCF + DDM + disposal price	7.4% - 13.4%
International Power - United Kingdom & Other Europe	Energy - International Power	DCF + DDM + disposal price	5.4% - 10%
Transmission France	Infrastructures	Fair value less disposal costs	
Energy - Eastern Europe	Energy Europe	DCF + RAB + disposal price	8.4% - 11.8%

9.4 Goodwill segment information

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

	As of December 31,	
	2011	2010
	(in millions of euros)	
Energy France	2,906	2,885
Energy Europe & International	12,821	10,292
of which: Benelux & Germany	7,536	7,777
Europe	1,004	1,209
International Power	4,281	1,305
Global Gas & LNG	4,359	4,331
Infrastructures	6,705	6,139
Energy Services	1,325	1,157
SUEZ Environnement	**3,246**	**3,128**
TOTAL	**31,362**	**27,933**

NOTE 10 INTANGIBLE ASSETS

10.1 Movements in intangible assets

	Intangible rights arising on concession contracts	Capacity entitlements	Other	Total
GROSS AMOUNT	(in millions of euros)			
At December 31, 2009	**4,394**	**2,405**	**9,520**	**16,319**
Acquisitions	501	1	770	1,272
Disposals	(66)	0	(143)	(209)
Translation adjustments	63	0	96	159
Changes in scope of consolidation	427	0	922	1,349
Other	(15)	18	86	89
At December 31, 2010	**5,304**	**2,424**	**11,251**	**18,979**
Acquisitions	369	(0)	606	975
Disposals	(16)	0	(75)	(91)
Translation adjustments	61	0	50	111
Changes in scope of consolidation	(8)	0	491	483
Other	51	(70)	41	23
At December 31, 2011	**5,762**	**2,354**	**12,363**	**20,480**
ACCUMULATED AMORTIZATION AND IMPAIRMENT				
At December 31, 2009	**(1,812)**	**(665)**	**(2,421)**	**(4,899)**
Amortization and impairment	(174)	(88)	(1,524)	(1,786)
Disposals	35	0	40	75
Translation adjustments	(15)	0	(39)	(55)
Changes in scope of consolidation	162	0	271	433
Other	16	0	16	32
At December 31, 2010	**(1,789)**	**(753)**	**(3,657)**	**(6,199)**
Amortization and impairment	(260)	(85)	(815)	(1,160)
Disposals	14	0	61	75
Translation adjustments	(9)	0	(20)	(29)
Changes in scope of consolidation	22	0	53	75
Other	(77)	69	(8)	(16)
At December 31, 2011	**(2,099)**	**(769)**	**(4,387)**	**(7,254)**
CARRYING AMOUNT				
At December 31, 2010	**3,515**	**1,671**	**7,594**	**12,780**
At December 31, 2011	**3,664**	**1,586**	**7,977**	**13,226**

In 2011, acquisitions relating to intangible rights arising on concession contracts correspond to the construction work carried out under concession contracts on infrastructure managed by SUEZ Environnement and energy services amounting to €235 million and €131 million, respectively.

Changes in the scope of consolidation in 2011 primarily include the first-time consolidation of International Power (€430 million), the acquisition of WSN Environmental Solutions (€128 million) and the disposal of G6 Rete Gas (€115 million).

In 2010, acquisitions related mainly to intangible rights arising on concession contracts in the SUEZ Environnement (€338 million) and energy services (€161 million) business lines, and on exploration and production licenses in Australia (€257 million).

Impairment losses recognized in 2010 totaled €751 million and chiefly concerned the long-term gas supply contracts portfolio in the Global Gas & LNG business line (€548 million) and exploration licenses in Egypt, Libya and the Gulf of Mexico (€84 million).

10.1.1 Intangible rights arising on concession contracts

The Group manages a number of concessions as defined by SIC 29 (see Note 22, “Service concession arrangements”) covering drinking water distribution, water treatment, waste collection and treatment, and electricity distribution. The rights given to the Group as concession operator in respect of these infrastructures fall within the scope of IFRIC 12 and are accounted for as intangible assets in accordance with the intangible asset model. They include rights to bill users recognized in accordance with the intangible asset model as set out in IFRIC 12.

10.1.2 Capacity entitlements

The Group has acquired capacity entitlements from power stations operated by third parties. These power station capacity rights were acquired in connection with transactions or within the scope of the Group’s involvement in financing the construction of certain power stations. In consideration, the Group received the right to purchase a share of the production over the useful life of the underlying 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 and the virtual power plant (VPP) in Italy.

10.1.3 Other

At end-2011, this caption chiefly relates to water drawing rights, licenses and intangible assets acquired as a result of the merger with Gaz de France, essentially comprising the GDF Gaz de France brand and customer relationships, as well as supply agreements. The exploration and production licenses presented under “Other” in the table above are detailed in Note 19, “Exploration & Production activities”.

The carrying amount of intangible assets that are not amortized because they have an indefinite useful life was €936 million at December 31, 2011 (€1,007 million at December 31, 2010). This caption relates mainly to water drawing rights and to the GDF 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.

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 (excluding technical assistance costs) that do not meet the criteria for recognition as an intangible asset as set out in IAS 38, totaled €231 million in 2011 and €222 million in 2010. Expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset are not material.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

11.1 Movements in property, plant and equipment

In millions of euros	Land	Buildings	Plant and equipment	Vehicles	Dismantling costs	Assets in progress	Other	Total
GROSS AMOUNT								
At December 31, 2009	**2,337**	**8,216**	**74,002**	**1,723**	**1,072**	**9,770**	**1,241**	**98,360**
Acquisitions	87	174	1,235	150	0	6,548	103	8,297
Disposals	(42)	(51)	(380)	(87)	(26)	(147)	(48)	(780)
Translation adjustments	70	244	1,811	36	18	412	18	2,609
Changes in scope of consolidation	318	126	2,129	(20)	3	53	(107)	2,501
Other	167	(2,895)	8,772	(10)	581	(6,019)	(32)	563
At December 31, 2010	**2,937**	**5,813**	**87,568**	**1,791**	**1,648**	**10,618**	**1,175**	**111,551**
Acquisitions	44	93	1,273	131	0	6,549	91	8,182
Disposals	(45)	(88)	(402)	(85)	0	(0)	(31)	(650)
Translation adjustments	(9)	(75)	2	1	6	(159)	1	(232)
Changes in scope of consolidation	160	429	9,265	11	11	707	15	10,598
Transferred to assets held for sale	(0)		(1,487)		(12)	(2)	(2)	(1,504)
Other	122	927	5,029	65	98	(6,359)	43	(75)
At December 31, 2011	**3,209**	**7,100**	**101,248**	**1,916**	**1,751**	**11,354**	**1,292**	**127,869**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At December 31, 2009	**(956)**	**(2,558)**	**(22,378)**	**(1,097)**	**(732)**	**(170)**	**(804)**	**(28,695)**
Depreciation and impairment	(89)	(368)	(4,323)	(165)	(75)	(137)	(179)	(5,336)
Disposals	34	23	241	75	(0)	119	40	531
Translation adjustments	(31)	(54)	(481)	(22)	(13)	(2)	(11)	(614)
Changes in scope of consolidation	0	91	880	22	(2)	0	89	1,082
Other	12	593	(555)	30	(10)	52	62	184
At December 31, 2010	**(1,029)**	**(2,273)**	**(26,616)**	**(1,158)**	**(832)**	**(139)**	**(802)**	**(32,848)**
Depreciation and impairment	(76)	(358)	(5,018)	(154)	(122)	(70)	(134)	(5,933)
Disposals	23	67	356	81	0	8	27	562
Translation adjustments	(13)	16	149	1	(4)	(1)	2	151
Changes in scope of consolidation	0	0	(50)	4	2	(0)	0	(43)
Transferred to assets held for sale			455		1		1	458
Other	0	(8)	(105)	(2)	(6)	(5)	32	(95)
At December 31, 2011	**(1,094)**	**(2,555)**	**(30,828)**	**(1,229)**	**(960)**	**(208)**	**(874)**	**(37,749)**
CARRYING AMOUNT								
At December 31, 2010	1,908	3,540	60,953	634	817	10,479	373	78,703
At December 31, 2011	**2,115**	**4,544**	**70,420**	**687**	**791**	**11,146**	**417**	**90,120**

Changes in the scope of consolidation had a net impact of €10,555 million on property, plant and equipment. These changes mainly result from the consolidation of International Power's opening statement of financial position (€10,941 million), the acquisition of gas storage facilities in Germany (€403 million), the Acea transaction (€312 million) and the acquisition of WSN Environmental Solutions by Sita Australia (€144 million). They also result from the disposal of G6 Rete Gas (€624 million), EFOG (€336 million) and the loss of control of Bristol Water (€380 million) (see Note 2, "Main changes in Group structure").

The Hidd Power company, Choctaw, and Hot Springs power plants were classified as held for sale (see Note 2.3), and the carrying amount of the corresponding property, plant and equipment was transferred to "Assets held for sale" in the statement of financial position.

The main impacts of exchange rate fluctuations on the gross amount of property, plant and equipment at December 31, 2011 chiefly consist of translation gains on the US dollar (€457 million) and the Australian dollar (€260 million), and translation losses on the Brazilian real (€481 million) and the Chilean peso (€178 million).

Impairment losses recognized against property, plant and equipment in 2011 amounted to €241 million. These losses are detailed in Note 5.2.2 "Impairment of property, plant and equipment and intangible assets (excluding goodwill)" and mainly concern a power generation facility in Spain and a power plant in the United States.

Assets relating to the exploration and production of mineral resources included in the table above are detailed in Note 19, “Exploration & Production activities”. Fields under development are shown under “Assets in progress”, while fields in production are included in “Plant and equipment”.

11.2 Pledged and mortgaged assets

Items of property, plant and equipment pledged by the Group to guarantee borrowings and debt amounted to €9,383 million at December 31, 2011, versus €3,538 million a year earlier. The increase in assets pledged results primarily from the power plants acquired from International Power which were pledged as a guarantee for the financing of the operation.

11.3 Contractual commitments to purchase property, plant and equipment

In the ordinary course of their operations, some Group companies have 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.

Investment commitments made by the Group to purchase property, plant and equipment totaled €6,459 million at December 31, 2011 versus €5,956 million at December 31, 2010. The increase in commitments mainly reflects the impact of the International Power acquisition and the increase in commitments made by GDF Norge in respect of the Gudrun oil fields. This increase was partially offset by a fall in commitments made by the Benelux & Germany business area following the completion of part of the construction work at new power plants.

11.4 Other information

Borrowing costs for 2011 included in the cost of property, plant and equipment amounted to €379 million at December 31, 2011 and €342 million at end-2010.

NOTE 12 INVESTMENTS IN ASSOCIATES

12.1 Breakdown of investments in associates

	Carrying amount of investments in associates		Share in net income (loss) of associates	
	As of December 31,		As of December 31,	
	2011	2010	2011	2010
	(in millions of euros)			
Belgian inter-municipal companies	39	416	187	184
Gasag	471	468	16	20
Paiton	614	0	65	0
ISAB Energy srl	153	0	4	0
GTT	88	117	(8)	(3)
Noverco	0	229	7	10
Other	1,255	750	192	54
TOTAL	**2,619**	**1,980**	**462**	**264**

The increase in the carrying amount of investments in associates is mainly attributable to the inclusion of International Power associates (e.g., Paiton and ISAB Energy) in the consolidated financial statements. The International Power transaction is described in further detail in Note 2, “Main changes in Group structure”.

As indicated in Note 2, “Main changes in Group structure”, since June 30, 2011, the Group no longer exercises significant influence over the Flemish inter-municipal companies. Accordingly, the corresponding shares are now presented in “Available-for-sale securities” in the consolidated financial statements. In addition, share capital reductions were carried out at the Flemish and Walloon inter-municipal companies in June 2011. As the Group’s share of these capital reductions exceeded the carrying amount of its equity investments in associates, the surplus was taken to income and the value of the shares was written down to zero. As a result, a positive impact of €49 million was recognized in "Share in net income of associates". The recognition of the Group's share in the net income of these entities for subsequent periods will be suspended until the surplus has been canceled out. At December 31, 2011, the surplus totaled €70 million primarily as a result of a dividend payout of €21 million in the second half of the year recognized in "Share in net income of associates".

The Group sold its interest in Noverco on June 30, 2011.

At December 31, 2011, total unrecognized losses of associates (corresponding to the cumulative amount of losses exceeding the carrying amount of investments in the associates concerned) including other comprehensive income or expense, amounted to €412 million. These unrecognized losses mainly correspond to the negative fair value of financial instruments designated as interest rate hedges ("Other comprehensive income") taken out by associates in the Middle East in connection with the financing for the construction of power and desalination plants.

12.2 Key figures of associates

	Latest % control	Total assets(1)	Liabilities(1)	Equity(1)	Revenues(1)	Net income(1)
			(in millions of euros)			
At December 31, 2011						
Walloon and Brussels inter-municipal companies(2)		4,685	2,816	1,869	1,227	266
PT Paiton Energy Company	44.7	3,658	2,285	1,373	558	145
ISAB Energy	49.0	652	340	312	430	7
Gasag Group	31.6	2,770	2,054	716	1,165	52
GTT	40.0	102	78	24	53	10
At December 31, 2010						
Belgian inter-municipal companies(2)		11,735	6,901	4,834	2,827	585
Noverco Group	17.6	4,394	3,090	1,304	1,271	58
Gasag Group	31.6	2,763	2,002	761	1,162	73
GTT	40.0	126	59	67	77	19

(1) The key figures of associates are presented at a 100%.

(2) Based on the combined financial data for the previous financial year of the inter-municipal companies, which have been restated in accordance with IFRS.

NOTE 13 INVESTMENTS IN JOINT VENTURES

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

	Consolidation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net income
				(in millions of euros)			
At December 31, 2011							
Energia Sustentavel Do Brasil	50.1	177	1,936	125	1,035	0	15
SPP Group	24.5	308	1,655	95	342	752	140
WSW Energie und Wasser	33.1	43	304	57	75	190	11
Senoko	30.0	123	864	217	470	603	28
Tirreno Power	50.0	239	819	210	568	529	17
Eco Electrica Project	50.0	77	416	48	134	136	19
At December 31, 2010							
EFOG	22.5	135	334	5	171	166	76
Energia Sustentavel Do Brasil	50.1	271	1,224	77	849	0	5

	Consolidation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net income
	(in millions of euros)						
AceaElectrabel Group	40.6*	472	734	739	150	1,291	26
SPP Group	24.5	277	1,705	92	350	737	144
WSW Energie und Wasser	33.1	42	307	53	73	170	6
Senoko	30.0	90	773	51	539	524	9
Tirreno Power	35.0	146	569	143	411	308	15

* Consolidation percentage applicable to the holding companies.

In the first quarter of 2011, GDF SUEZ and Acea terminated their partnership concerning energy activities in Italy. After the cross-holdings had been unwound, the Group acquired a controlling interest in a number of entities which are now fully consolidated. This transaction is described in further detail in Note 2, "Main changes in Group structure".

The Group sold its 22.5% interest in EFOG on December 31, 2011 (see Note 2, "Main changes in Group structure").

NOTE 14 FINANCIAL INSTRUMENTS

14.1 Financial assets

The following table presents the Group's different categories of financial assets, broken down into current and non-current items:

	As of December 31,					
	2011			2010		
	Total	Non-current	Current	Total	Non-current	Current
	(in millions of euros)					
Available-for-sale securities	3,299		3,299	3,252		3,252
Loans and receivables at amortized cost	3,813	24,446	28,259	2,794	21,533	24,327
Loans and receivables at amortized cost (excluding trade and other receivables)	3,813	1,311	5,124	2,794	1,032	3,825
Trade and other receivables, net		23,135	23,135		20,501	20,501
Other financial assets at fair value	2,911	8,197	11,108	2,532	7,452	9,984
Derivative instruments	2,911	5,312	8,223	2,532	5,739	8,271
Financial assets at fair value through income (excluding derivatives)		2,885	2,885		1,713	1,713
Cash and cash equivalents		14,675	14,675		11,296	11,296
TOTAL	**10,023**	**47,319**	**57,342**	**8,578**	**40,280**	**48,858**

14.1.1 Available-for-sale securities

	In millions of euros
At December 31, 2009	3,563
Acquisitions	518
Disposals - carrying amount excluding changes in fair value recorded in “Other comprehensive income”	(648)
Disposals - “Other comprehensive income” derecognized	(27)
Other changes in fair value recorded in equity	(99)
Changes in fair value recorded in income	(69)
Changes in scope of consolidation, foreign currency translation and other changes	14
At December 31, 2010	3,252
Acquisitions	249
Disposals - carrying amount excluding changes in fair value recorded in “Other comprehensive income”	(50)
Disposals - “Other comprehensive income” derecognized	(425)
Other changes in fair value recorded in equity	(70)
Changes in fair value recorded in income	(130)
Changes in scope of consolidation, foreign currency translation and other changes	473
At December 31, 2011	3,299

The Group’s available-for-sale securities amounted to €3,299 million at December 31, 2011, breaking down as €1,243 million of listed securities and €2,056 million of unlisted securities (respectively, €1,131 million and €2,121 million at December 31, 2010).

The main acquisitions in the period correspond to bonds purchased by Synatom within the scope of its investment commitments.

Changes in the scope of consolidation chiefly result from: (i) the recognition of the Group’s interests in the Flemish mixed inter-municipal companies as available for-sale securities (€587 million), and (ii) the disposal of GDF SUEZ LNG Liquefaction which held a stake in Atlantic LNG with a historical value of €97 million (see Note 2, “Main changes in Group structure”).

The main transactions carried out in 2010 concerned the acquisition of a 9% stake in the Nordstream AG gas pipeline (€238 million) and the disposal of Gas Natural shares (€555 million).

14.1.1.1 Gains and losses on available-for-sale securities recognized in equity or income

The table below shows gains and losses on available-for-sale securities recognized in equity or income:

		Remeasurement post acquisition				
	Dividends	**Change in fair value**	**Foreign currency translation**	**Impairment**	**Reclassified to income**	**Net gain (loss) on disposals**
			(in millions of euros)			
Equity *	–	(70)	14	–	(425)	–
Income	139			(130)	425	33
TOTAL AT DECEMBER 31, 2011	**139**	**(70)**	**14**	**(130)**		**33**
Equity *	–	(99)	38	–	(27)	–
Income	128			(69)	27	178
TOTAL AT DECEMBER 31, 2010	**128**	**(99)**	**38**	**(69)**		**178**

* Excluding the tax effect.

The items comprising net gains on disposals totaling €33 million are not material taken individually.

Gains and losses initially recognized in equity within "Other comprehensive income" and reclassified to income following the disposal of available-for-sale securities totaled €425 million in 2011 (€27 million in 2010). The impact of reclassifying the Atlantic LNG shares to income (€421 million) is shown on the "Changes in scope of consolidation" line in the income statement (see Note 5).

14.1.1.2 Analysis of available-for-sale securities in connection with impairment tests

The Group reviewed the value of its available-for-sale securities on a case-by-case basis, in order to determine whether, in light of the current market environment, any impairment losses should be recognized.

An example of an impairment indicator for listed securities is when the value of any such security falls below 50% of its historical cost or remains below its historical cost for more than 12 months.

The Group recognized an impairment loss of €130 million against unlisted securities. No individual impairment loss included in this amount was material.

Based on its analyses, the Group did not recognize any other impairment losses on available-for-sale securities at December 31, 2011.

14.1.2 Loans and receivables at amortized cost

	As of December 31,					
	2011			2010		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Loans and receivables at amortized cost (excluding trade and other receivables)	3,813	1,311	5,124	2,794	1,032	3,825
Loans granted to affiliated companies	875	555	1,430	932	230	1,162
Other receivables at amortized cost	1,056	159	1,215	1,157	150	1,307
Amounts receivable under concession contracts	418	466	884	315	453	768
Amounts receivable under finance leases	1,464	132	1,596	389	198	588
Trade and other receivables		23,135	23,135		20,501	20,501
TOTAL	**3,813**	**24,446**	**28,259**	**2,794**	**21,533**	**24,327**

The table below shows impairment losses taken against loans and receivables at amortized cost:

	As of December 31,					
	2011			2010		
	Gross	Allowances and impairment	Net	Gross	Allowances and impairment	Net
	(in millions of euros)					
Loans and receivables at amortized cost (excluding trade and other receivables)	5,504	(380)	5,124	4,224	(399)	3,825
Trade and other receivables, net	24,133	(997)	23,135	21,592	(1,091)	20,501
TOTAL	**29,637**	**(1,377)**	**28,259**	**25,816**	**(1,490)**	**24,327**

Data on the age of receivables past due but not impaired and on counterparty risk associated with loans and receivables at amortized cost (including trade and other receivables) are provided in Note 15.2, "Counterparty risk".

Net gains and losses recognized in the consolidated income statement with regard to loans and receivables at amortized cost (including trade and other receivables) break down as follows:

	Interest income	Remeasurement post acquisition	
		Foreign currency translation	Impairment
		(in millions of euros)	
At December 31, 2010	101	(43)	(19)
At December 31, 2011	**142**	**15**	**17**

Loans and receivables at amortized cost (excluding trade and other receivables)

Changes in loans and receivables at amortized cost chiefly reflect the consolidation of the International Power Group in 2011, which added €1,468 million to the caption in December 2011.

At December 31, 2011 and December 31, 2010, no material impairment losses had been recognized against loans and receivables at amortized cost (excluding trade and other receivables).

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 in the consolidated statement of financial position represents a reasonable estimate of fair value.

Impairment losses recognized against trade and other receivables amounted to €997 million at end-2011 and €1,091 million at end-2010.

14.1.3 Other financial assets at fair value through income

	As of December 31,					
	2011			2010		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Derivative instruments	2,911	5,312	8,223	2,532	5,739	8,271
Derivatives hedging borrowings[(1)]	*1,187*	*314*	*1,502*	*1,124*	*68*	*1,192*
Derivatives hedging commodities	*969*	*4,916*	*5,885*	*994*	*5,662*	*6,656*
Derivatives hedging other items[(2)]	*755*	*81*	*836*	*415*	*9*	*423*
Financial assets at fair value through income (excluding derivatives)	0	2,572	2,572	0	1,555	1,555
Financial assets qualifying as at fair value through income		*2,527*	*2,527*		*1,511*	*1,511*
Financial assets designated as at fair value through income		*45*	*45*		*45*	*45*
Margin calls on derivatives hedging borrowings – assets		314	314		157	157
TOTAL	**2,911**	**8,197**	**11,108**	**2,532**	**7,452**	**9,984**

(1) Following the Group's review of its definition of "net debt", derivatives hedging borrowings include qualifying or non-qualifying instruments hedging an underlying item recorded within gross debt (see Note 14.3, "Net debt").

(2) The interest rate component of derivative hedges (not qualifying as hedges or qualifying as cash flow hedges) and instruments hedging net investments in a foreign operation are now classified as derivatives hedging other items.

Data for 2010 have been restated in order to provide a meaningful comparison.

Financial assets qualifying as at fair value through income (excluding derivatives) 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 at fair value through income (excluding derivatives) held for trading purposes totaled €26 million in 2011 versus €15 million in 2010.

Gains and losses on financial assets designated as at fair value through income in 2011 were not material.

14.1.4 Cash and cash equivalents

Cash and cash equivalents totaled €14,675 million at December 31, 2011 (€11,296 million at December 31, 2010).

At end-2011, this caption includes €600 million in cash and cash equivalents subject to restrictions (€231 million at December 31, 2010), reflecting mainly the consolidation of International Power. Cash and cash equivalents subject to restrictions comprise mainly cash equivalents set aside to cover the repayment of borrowings and debt as part of project financing arrangements in certain subsidiaries.

Gains recognized in respect of cash and cash equivalents came to €206 million for the year to December 31, 2011 compared to €141 million for the year to December 31, 2010.

14.1.5 Financial assets set aside to cover the future costs of dismantling nuclear facilities and managing radioactive fissile material

As indicated in Note 17.2, "Nuclear dismantling liabilities", the Belgian law of April 11, 2003, amended by the law of April 25, 2007, granted the Group's wholly-owned subsidiary Synatom responsibility for managing and investing funds received from operators of nuclear power plants in Belgium and designed to cover the costs of dismantling nuclear power plants and managing radioactive fissile material.

Pursuant to the law, Synatom may lend up to 75% of these funds to operators of nuclear plants provided that they meet certain financial criteria – particularly in terms of credit quality. The funds that cannot be lent to operators are either lent to entities meeting the credit quality criteria set by the law or invested in financial assets such as bonds and money-market funds.

Loans to entities outside the Group and other cash investments are shown in the table below:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Loans to third parties	**534**	**534**
Loan to Eso/Elia	454	454
Loan to Eandis	80	80
Other cash investments	**727**	**578**
Bond portfolio	207	136
Money market funds	520	442
TOTAL	**1,261**	**1,112**

Loans to entities outside the Group are shown in the statement of financial position as "Loans and receivables at amortized cost". Bonds and UCITS held by Synatom are shown as "Available-for-sale securities".

14.1.6 Financial assets and equity instruments pledged as collateral for borrowings and debt

	As of December 31,	
	2011	2010
	(in millions of euros)	
Financial assets and equity instruments pledged as collateral	4,789	2,247

This item mainly includes equity instruments pledged as collateral for borrowings and debt.

14.2 Financial liabilities

Financial liabilities are recognized in:

- "Liabilities at amortized cost" (borrowings and debt, trade and other payables, and other financial liabilities);
- "Financial liabilities at fair value through income" (derivative instruments or financial liabilities designated as derivatives).

The following table presents the Group's different financial liabilities at December 31, 2011, broken down into current and non-current items:

	As of December 31,					
	2011			2010		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Borrowings and debt	43,375	13,213	56,588	38,179	9,059	47,238
Derivative instruments	3,310	5,185	8,495	2,104	5,738	7,842
Trade and other payables	–	18,387	18,387	–	14,835	14,835
Other financial liabilities	684	–	684	780	–	780
TOTAL	**47,369**	**36,784**	**84,153**	**41,063**	**29,632**	**70,695**

14.2.1 Borrowings and debt

	As of December 31,					
	Dec. 31, 2011			Dec. 31, 2010		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Bond issues	26,197	2,522	28,719	23,975	921	24,896
Commercial paper		4,116	4,116		3,829	3,829
Drawdowns on credit facilities	1,537	506	2,043	1,286	302	1,588
Liabilities under finance leases	1,250	139	1,389	1,258	243	1,502
Other bank borrowings	12,478	2,935	15,413	9,767	1,110	10,877
Other borrowings	942	636	1,578	1,226	65	1,290
TOTAL BORROWINGS	**42,404**	**10,853**	**53,257**	**37,512**	**6,470**	**43,982**
Bank overdrafts and current accounts		1,310	1,310		1,741	1,741
OUTSTANDING BORROWINGS AND DEBT	**42,404**	**12,163**	**54,568**	**37,512**	**8,210**	**45,722**
Impact of measurement at amortized cost	689	243	932	621	191	812
Impact of fair value hedge	281	77	358	46	119	165
Margin calls on derivatives hedging borrowings – liabilities		730	730		539	539
BORROWINGS AND DEBT	**43,375**	**13,213**	**56,588**	**38,179**	**9,059**	**47,238**

The fair value of gross borrowings and debt amounted to €61,112 million at December 31, 2011, compared with a carrying amount of €56,588 million.

Financial income and expenses relating to borrowings and debt are detailed in Note 6, "Net financial income/(loss)".

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:

	As of December 31,					
	2011			2010		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Derivatives hedging borrowings[(1)]	76	331	407	185	157	342
Derivatives hedging commodities	994	4,699	5,693	1,037	5,512	6,549
Derivatives hedging other items[(2)]	2,241	155	2,396	882	69	951
TOTAL	**3,310**	**5,185**	**8,495**	**2,104**	**5,738**	**7,842**

(1) Following the Group's review of its definition of "net debt", derivatives hedging borrowings include qualifying or non-qualifying instruments hedging an underlying item recorded within borrowings and debt (see Note 14,3, "Net debt").

(2) The interest rate component of derivative hedges (not qualifying as hedges or qualifying as cash flow hedges) and instruments hedging net investments in a foreign operation are now classified as derivatives hedging other items.

Data for 2010 have been restated in order to provide a meaningful comparison.

14.2.3 Trade and other payables

	As of December 31,	
	2011	2010
	(in millions of euros)	
Trade payables	16,780	13,458
Payable on fixed assets	1,608	1,377
TOTAL	**18,387**	**14,835**

The carrying amount of these financial liabilities represents a reasonable estimate of their fair value.

14.2.4 Other financial liabilities

Other financial liabilities break down as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Payables related to acquisitions of securities	548	643
Other	136	136
TOTAL	**684**	**780**

Other financial liabilities chiefly relate to liabilities in respect of various counterparties resulting from put options granted by the Group to non-controlling shareholders of fully consolidated companies. These commitments to purchase equity instruments have therefore been recognized under financial liabilities (see Note 1.5.11.2), and concern:

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

Non-controlling interests in CNR may only exercise their options if the French "Murcef" law is abolished. Non-controlling shareholders of Compagnie du Vent may now exercise their options in several phases (see Note 26, "Legal and anti-trust proceedings").

The Group also holds call options on these shares as part of agreements entered into by the parties.

14.3 Net debt

The Group reviewed its definition of net debt in order to make the different components more consistent from an economic standpoint. Accordingly, derivatives qualifying as hedges of net investments (consolidated shareholdings whose functional currency is not the euro) and the interest rate component of interest rate hedging instruments (not qualifying as hedges or qualifying as cash flow hedges) are now excluded from the net debt as the hedged items are not included in net debt. In addition, financial assets relating to debt instruments – essentially deposits pledged as part of project financing arrangements – are now shown as a deduction from gross debt.

The definition of the cost of net debt was also revised (see Note 6, "Net financial income/loss) to maintain consistency with the new definition of net debt. The application of the revised net debt definition led to a decrease of €796 million in net debt at end-2010 compared to under the previous definition.

14.3.1 Net debt by type

	As of December 31,					
	2011			2010		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Outstanding borrowings and debt	42,404	12,163	54,568	37,512	8,210	45,722
Impact of measurement at amortized cost	689	243	932	621	191	812
Impact of fair value hedge(1)	281	77	358	46	119	165
Margin calls on derivatives hedging borrowings – liabilities		730	730		539	539
BORROWINGS AND DEBT	**43,375**	**13,213**	**56,588**	**38,179**	**9,059**	**47,238**
Derivatives hedging borrowings – carried in liabilities(2)	76	331	407	185	157	342
GROSS DEBT	**43,451**	**13,543**	**56,994**	**38,364**	**9,216**	**47,580**
Assets related to financing(3)	(311)	(20)	(331)	(321)	(20)	(341)
ASSETS RELATED TO FINANCING	(311)	(20)	(331)	(321)	(20)	(341)
Financial assets at fair value through income	0	(2,572)	(2,572)	0	(1,555)	(1,555)
Margin calls on derivatives hedging borrowings – assets		(314)	(314)		(157)	(157)
Cash and cash equivalents	0	(14,675)	(14,675)	0	(11,296)	(11,296)
Derivatives hedging borrowings – carried in assets(2)	(1,187)	(314)	(1,502)	(1,124)	(68)	(1,192)
NET CASH	**(1,187)**	**(17,875)**	**(19,063)**	**(1,124)**	**(13,077)**	**(14,200)**
NET DEBT	**41,952**	**(4,352)**	**37,601**	**36,919**	**(3,880)**	**33,039**
Outstanding borrowings and debt	42,404	12,163	54,568	37,512	8,210	45,722
Assets related to financing(3)	(311)	(20)	(331)	(321)	(20)	(341)
Financial assets at fair value through income	0	(2,572)	(2,572)	0	(1,555)	(1,555)
Cash and cash equivalents	0	(14,675)	(14,675)	0	(11,296)	(11,296)
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST	**42,093**	**(5,103)**	**36,990**	**37,191**	**(4,661)**	**32,530**

(1) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.

(2) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges (see Notes 14.1.3 and 14.2.2).

(3) Financial assets pledged as collateral for the Group's financing are now shown as a deduction from borrowings and debt. These assets consist mainly of deposits pledged as collateral for loans granted to subsidiaries. Data for 2010 have been restated in order to provide a meaningful comparison.

14.3.2 Main events of the period

In 2011, changes in the scope of consolidation led to a €6,247 million increase in net debt, of which €6,317 million was attributable to the first-time consolidation of the International Power Group, and €174 million to the Acea transaction.

The International Power debt acquired includes three bonds convertible into International Power shares, as follows:

- a USD 229 million (€176 million) bond issue maturing in 2023 and paying interest of 3.75%;
- a €230 million bond issue maturing in 2013 and paying interest of 3.25%;
- a €700 million bond issue maturing in 2015 and paying interest of 4.75%.

As the bonds were denominated in a currency other than the functional currency of International Power, the conversion options are recognized as derivatives at fair value through income. The acquisition-date fair value of the debt component of these instruments amounted to €1,129 million. The fair value of the derivative instruments is recognized in "Derivatives hedging other items" in an amount of €380 million, and is therefore not included in net debt. Changes in the fair value of these derivative instruments in 2011 had a positive €1 million impact, presented in "Gains and losses from economic hedges of other financial items" within net financial income/(loss).

Changes in exchange rates resulted in a €266 million decrease in net debt (including €256 million in relation to the US dollar).

The Group carried out the following transactions in relation to its bond debt during 2011:

- GDF SUEZ SA issued a €300 million 100-year bond maturing in March 2111 and paying interest of 5.95%, along with a CHF 300 million bond maturing in October 2017 hedged by derivative financial instruments allowing the Group to swap the debt for euros at a fixed rate of 2.99%;
- GDF SUEZ SA carried out two bond issues, the first for €1 billion, paying interest of 3.125% and maturing in January 2020, and the second for GBP 400 million, swapped for a fixed euro interest rate of 4.7% and maturing in 2060. These two issues allowed the Group to refinance €157 million on the bond maturing in February 2013, €355 million on the bond maturing in January 2014 and €88 million on the bond issued by Belgelec and maturing in June 2015, within the scope of an exchange offer;
- on May 5, 2011, SUEZ Environnement Company launched a combined intermediated redemption and exchange of its bonds maturing in 2014, issued in 2009 and paying interest of 4.875%. The purpose of this transaction was (i) to refinance a portion of the bonds maturing in 2014, and (ii) to extend the average maturity of SUEZ Environnement Company's debt. At the close of the transaction, €338 million in bonds maturing in 2014 had been redeemed and exchanged as part of a €750 million 10-year bond issue paying interest of 4.078%; In November 2011, SUEZ Environnement issued GBP 250 million in bonds maturing in 2030 and paying interest of 5.375%;
- the Group redeemed the Belgelec and Tractebel Energia bond issues (€400 million and €512 million, respectively) which expired during the year.

The Group also paid off in advance of term the bank debt of International Power's North American entities, which amounted to USD 1,125 million at the transaction date. These repayments were made out of available cash and therefore had no impact on net debt.

14.3.3 Debt/equity ratio

	As of December 31,	
	2011	2010
	(in millions of euros)	
Net debt	37,601	33,039
Total equity	80,270	70,627
Dept/equity ratio	46.8%	46.8%

14.4 Fair value of financial instruments by level in the fair value hierarchy

14.4.1 Financial assets

The table below shows the allocation of financial instruments carried in assets to the different levels in the fair value hierarchy:

Fair value by level	As of December 31, 2011				2010			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(in millions of euros)							
Available-for-sale securities	3,299	1,243	–	2,057	3,252	1,131	–	2,120
Loans and receivables at amortized cost used in designated fair value hedges	290	–	290	–	256	–	256	–
Loans and receivables at amortized cost (excluding trade and other receivables)	290	–	290	–	256	–	256	–
Derivative instruments	8,223	200	7,926	97	8,271	1,043	7,175	53
Derivatives hedging borrowings	1,502	–	1,502	–	1,192	–	1,192	–
Derivatives hedging commodities - relating to portfolio management activities	3,622	180	3,359	83	2,574	257	2,267	51
Derivatives hedging commodities - relating to trading activities	2,263	20	2,229	14	4,082	786	3,294	2
Derivatives hedging other items	836	–	836	–	423	–	423	–
Financial assets at fair value through income	2,572	2,371	200	–	1,555	1,317	238	–
Financial assets qualifying as at fair value through income	2,527	2,371	156	–	1,511	1,317	194	–
Financial assets designated as at fair value through income	45	–	45	–	45	–	45	–
TOTAL	**14,384**	**3,814**	**8,417**	**2,153**	**13,335**	**3,492**	**7,670**	**2,173**

A definition of these three levels is provided in Note 1.5.11.3.

Available-for-sale securities

Listed securities – measured at their market price at the end of the reporting period – are included in level 1.

Unlisted securities – measured using valuation models based primarily on recent market transactions, the present value of dividends/cash flows or net asset value – are included in level 3.

At December 31, 2011, changes in level 3 available-for-sale securities can be analyzed as follows:

	Available-for-sale securities
	(in millions of euros)
At December 31, 2010	**2,121**
Acquisitions	70
Disposals – carrying amount excluding changes in fair value recorded in “Other comprehensive income”	(43)
Disposals – “Other comprehensive income” derecognized	(425)
Other changes in fair value recorded in equity	(43)
Changes in fair value recorded in income	(113)

	Available-for-sale securities
	(in millions of euros)
Changes in scope of consolidation, foreign currency translation and other changes	490
At December 31, 2011	**2,056**
Gains and losses recorded in income relating to instruments held at the end of the period	133

Loans and receivables at amortized cost (excluding trade and other receivables)

Loans and receivables at amortized cost (excluding trade and other receivables) in a designated fair value hedging relationship are presented in level 2 in the above table. Only the interest rate component of these items is remeasured, with fair value determined by reference to observable data.

Derivative instruments

Derivative instruments included in level 1 are mainly futures traded on organized markets with clearing houses. They are measured at fair value based on their quoted price.

The measurement at fair value of derivative instruments included in level 3 is based on non-observable inputs and internal assumptions, usually because the maturity of the instruments exceeds the observable period for the forward price of the underlying, or because certain inputs such as the volatility of the underlying were not observable at the measurement date.

The measurement at fair value of other derivative instruments is based on commonly-used models in the commodities trading environment, and includes directly and indirectly observable inputs. These instruments are included in level 2 of the fair value hierarchy.

Financial assets qualifying or designated as at fair value through income

Financial assets qualifying as at fair value through income for which the Group has regular net asset value data are included in level 1. If net asset values are not available on a regular basis, these instruments are included in level 2.

Financial assets designated as at fair value through income are included in level 2.

14.4.2 Financial liabilities

The table below shows the allocation of financial instruments carried in liabilities to the different levels in the fair value hierarchy:

	As of December 31,							
Fair value by level	2011				2010			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(in millions of euros)							
Borrowings used in designated fair value hedges	9,458	–	9,458	–	8,714	–	8,714	–
Derivative instruments	8,495	89	8,049	357	7,842	992	6,782	69
Derivatives hedging borrowings	407	–	407	–	342	–	332	10
Derivatives hedging commodities - relating to portfolio management activities	3,291	81	2,917	293	2,494	168	2,269	57
Derivatives hedging commodities - relating to trading activities	2,402	9	2,389	4	4,055	824	3,229	2
Derivatives hedging other items	2,396	–	2,335	60	951	–	951	–
TOTAL	**17,953**	**89**	**17,507**	**357**	**16,556**	**992**	**15,495**	**69**

Borrowings and debt

This caption includes bonds in a designated fair value hedging relationship which are presented in level 2 in the above table. Only the interest rate component of the bonds is remeasured, with fair value determined by reference to observable data.

Derivative instruments

Please refer to the classification of derivative financial instruments in Note 14.4.1.

NOTE 15 RISKS ARISING FROM FINANCIAL INSTRUMENTS

GDF SUEZ mainly uses derivative instruments to manage its exposure to market risks. Financial risk management procedures are set out in section 5, “Risk factors” of the Registration Document.

In view of their power generation and international sales activities as well as their financial structure, the businesses acquired from International Power are exposed to the following financial risks:

- commodity risk: this includes risks relating to changes in prices and volumes affecting both its portfolio management and its trading activities;
- currency risk (translation risk and transaction risk): this risk arises mainly in respect of the US dollar, pound sterling and Australian dollar;
- interest rate risk: this relates to the financing of power plants;
- counterparty risk;
- liquidity risk.

The risk management, monitoring and control procedures put in place by GDF SUEZ (see section 5, “Risk factors” of the 2011 Registration Document) cover the businesses and positions of International Power that are exposed to the above risks.

Consequently, the exposures and sensitivity analyses presented in the tables below include data relating to International Power.

15.1 Market risks

15.1.1 Commodity risk

Commodity risk arises primarily from the following activities:

- portfolio management; and
- trading.

The Group has identified two types of commodity risks: price risk resulting from fluctuations in market prices, and volume risks inherent to the business.

In the ordinary course of its operations, the Group is exposed to commodity risks on gas, electricity, coal, oil and oil products, other fuels, CO^2 and other “green” products. The Group is active on these energy markets either for supply purposes or to optimize and secure its energy production chain and its energy sales. The Group also uses derivatives to offer hedging instruments to its clients and to hedge its own positions.

15.1.1.1 Portfolio management activities

Portfolio management seeks to optimize the market value of assets (power plants, gas and coal supply contracts, energy sales and gas storage and transmission) over various timeframes (short-, medium- and long-term). Market value is optimized by:

- guaranteeing supply and ensuring the balance between needs and physical resources;
- managing market risks (price, volume) to unlock optimum value from portfolios within a specific risk framework.

The risk framework aims to safeguard the Group's financial resources over the budget period and smooth out medium-term earnings (over three or five years, depending on the maturity of each market). It encourages portfolio managers to take out economic hedges on their portfolio.

Sensitivity analyses for portfolio management activities, as presented in the table below, are calculated based on a fixed portfolio at a given date and may not necessarily be representative of future changes in consolidated earnings and equity.

		As of December 31,			
		2011		2010	
Sensitivity analysis	**Price movements**	**Pre-tax impact on income**	**Pre-tax impact on equity**	**Pre-tax impact on income**	**Pre-tax impact on equity**
		(in millions of euros)			
Oil-based products	+10 $US/bbl	(159)	123	(194)	269
Natural gas	+3 €/MWh	267	(77)	87	(26)
Coal	+10 $US/ton	9	48	12	35
Electricity	+5 €/MWh	(394)	17	(37)	49
Greenhouse gas emission rights	+2 €/ton	33	(2)	(41)	(6)
EUR/USD	+10%	(1)	(209)	112	(194)
EUR/GBP	+10%	(33)	(3)	34	4
GBP/USD	+10%	39	–	–	–

As options contracts are not frequently used, the sensitivity analysis is symmetrical for price increases and decreases.

15.1.1.2 Trading activities

On May 2, 2011, the Group combined the trading activities of Gaselys and Electrabel in Europe into a single dedicated unit, GDF SUEZ Trading. The purpose of this wholly-owned company is to (i) assist Group entities in optimizing their asset portfolios; (ii) create and implement energy price risk management solutions; and (iii) develop proprietary trading activities.

Revenues from trading activities totaled €227 million for the year ended December 31, 2011 (€146 million in 2010).

The use of Value at Risk (VaR) to quantify market risk arising from trading activities provides a transversal measure of risk taking all markets and products into account. VaR 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 but is back-tested on a regular basis.

The Group uses a one-day holding period and a 99% confidence interval to calculate VaR, as well as stress tests, in accordance with banking regulatory requirements.

The value-at-risk shown below corresponds to the aggregated VaR of the Group's trading entities.

Value-at-risk	**Dec. 31, 2011**	**2011 average(1)**	**2011 maximum(2)**	**2011 minimum(2)**	**2010 average(1)**
			(in millions of euros)		
Trading activities	3	4	10	1	9

(1) Average daily VaR.

(2) Based on month-end highs and lows observed in 2011.

15.1.2 Hedges of commodity risks

The Group enters into cash flow hedges and fair value hedges as defined by IAS 39, using derivative instruments (firm or options contracts) contracted over-the-counter or on organized markets. These instruments may be settled net or involve physical delivery of the underlying.

The fair values of commodity derivatives at December 31, 2011 and December 31, 2010 are indicated in the table below:

	As of December 31,							
	2011				2010			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Derivative instruments relating to portfolio management activities	2,653	969	(2,297)	(994)	1,580	994	(1,457)	(1,037)
Cash flow hedges	1,227	349	(710)	(208)	964	464	(837)	(299)
Other derivative instruments	1,426	620	(1,587)	(786)	616	531	(620)	(738)
Derivative instruments relating to trading activities	2,263	–	(2,402)	–	4,082	–	(4,055)	–
TOTAL	4,916	969	(4,699)	(994)	5,662	994	(5,512)	(1,037)

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 end of the reporting period. 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.

15.1.2.1 Cash flow hedges

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

	As of December 31,							
	2011				2010			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Natural gas	268	101	(248)	(41)	289	144	(322)	(121)
Electricity	258	93	(220)	(85)	149	57	(143)	(73)
Coal	22	18	(33)	(27)	69	44	(27)	(23)
Oil	546	52	(179)	(26)	437	139	(342)	(84)
Other	133	85	(30)	(29)	20	79	(3)	2
TOTAL	**1,227**	**349**	**(710)**	**(208)**	**964**	**464**	**(837)**	**(299)**

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

Notional amounts (net)*	Total at Dec. 31, 2011	2012	2013	2014	2015	2016	Beyond 5 years
				(in GWh)			
Natural gas, electricity and coal	9,651	(10,794)	20,840	(1,466)	1,071	–	–
Oil-based products	83,498	64,259	17,999	942	137	138	23
Other	–	–	–	–	–	–	–
TOTAL	**93,149**	**53,465**	**38,838**	**(524)**	**1,209**	**138**	**23**

* Long position/(short position).

Notional amounts (net)*	Total at Dec. 31, 2011	2012	2013	2014	2015	2016	Beyond 5 years
			(in thousands of tons)				
Greenhouse gas emission rights	(975)	(1,080)	110	(5)	–	–	–
TOTAL	**(975)**	**(1,080)**	**110**	**(5)**	**–**	**–**	**–**

* Long position/(short position).

At December 31, 2011, a gain of €430 million was recognized in equity in respect of cash flow hedges, versus a gain of €238 million at end-2010. A gain of €71 million was reclassified from equity to income in 2011, compared with a loss of €223 million reclassified in 2010.

Gains and losses arising from the ineffective portion of hedges are taken to income. A gain of €20 million was recognized in income in 2011, compared with a gain of €33 million in 2010.

15.1.2.2 Other commodity derivatives

Other commodity derivatives include embedded derivatives, commodity purchase and sale contracts which were not entered into within the ordinary course of business at the statement of financial position date, and derivative financial instruments not eligible for hedge accounting in accordance with IAS 39.

15.1.3 Currency risk

The Group is exposed to currency risk, defined as the impact on its statement of financial position and income statement of fluctuations in exchange rates affecting its operating and financing activities. Currency risk comprises (i) transaction risk arising in the ordinary course of business; (ii) transaction risk specifically linked to planned investments or mergers and acquisitions; and (iii) translation risk arising on the consolidation in euros of the financial statements of subsidiaries with a functional currency other than the euro. This risk chiefly concerns the United States and assets considered to be dollar based such as Brazil, Thailand, Norway, the United Kingdom and Australia.

15.1.3.1 Analysis of financial instruments by currency

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

OUTSTANDING GROSS DEBT

	As of December 31,			
	2011		2010	
	Before hedging	After hedging	Before hedging	After hedging
Eurozone	61%	60%	61%	53%
USD	12%	16%	14%	21%
GBP	8%	4%	6%	2%
Other currencies	19%	20%	19%	24%
TOTAL	**100%**	**100%**	**100%**	**100%**

NET DEBT

	As of December 31,			
	2011		2010	
	Before hedging	After hedging	Before hedging	After hedging
Eurozone	53%	52%	57%	45%
USD	14%	21%	16%	26%
GBP	9%	2%	6%	2%
Other currencies	24%	25%	21%	27%
TOTAL	**100%**	**100%**	**100%**	**100%**

15.1.3.2 Currency risk sensitivity analysis

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

For currency risk, sensitivity corresponds to a 10% rise or fall in exchange rates compared to closing rates.

Impact on income after currency hedges

Changes in exchange rates against the euro only affect income via gains and losses on liabilities denominated in a currency other than the functional currency of companies carrying the liabilities on their statements of financial position, 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 ultimately be a gain (or loss) of €43 million.

Impact on equity

For financial instruments (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 €300 million on equity. This impact is countered by the offsetting change in the net investment hedged.

15.1.4 Interest rate risk

The Group seeks to manage its borrowing costs by limiting the impact of interest rate fluctuations on its income statement. It does this by ensuring a balanced interest rate structure in the medium-term (five years). The Group's aim is therefore to use a mix 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 structure for its net debt, the Group uses hedging instruments, particularly interest rate swaps and options. At December 31, 2011, the Group had a portfolio of interest rate options (caps) protecting it from a rise in short-term interest rates for the euro, US dollar and pound sterling.

15.1.4.1 Analysis of financial instruments by type of interest rate

The following tables present a breakdown by type of interest rate of outstanding gross debt and net debt before and after hedging.

OUTSTANDING GROSS DEBT

	As of December 31,			
	2011		2010	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	42%	41%	41%	44%
Fixed rate	58%	59%	59%	56%
TOTAL	**100%**	**100%**	**100%**	**100%**

NET DEBT

	As of December 31,			
	2011		2010	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	15%	12%	18%	22%
Fixed rate	85%	88%	82%	78%
TOTAL	**100%**	**100%**	**100%**	**100%**

15.1.4.2 Interest rate risk sensitivity analysis

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

For interest rate risk, sensitivity corresponds to a 1% rise or fall in the yield curve compared with year-end interest rates.

Impact on income after hedging

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 leg of derivatives, would increase net interest expense by €114 million. A fall of 1% in short-term interest rates would reduce net interest expense by €139 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

In the income statement, a uniform rise of 1% in interest rates (across all currencies) would result in a gain of €252 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 €368 million. The asymmetrical impacts are attributable to the interest rate options portfolio.

Impact on equity

A uniform rise or fall of 1% in interest rates (across all currencies) would have a positive or negative impact of €439 million on equity, attributable to changes in the fair value of derivative instruments designated as cash flow hedges recognized in the statement of financial position.

15.1.4.3 Currency and interest rate hedges

The table below shows the fair values and notional amounts of financial instruments designated as currency or interest rate hedges:

	As of December 31,			
	2011		2010	
Currency hedges	**Fair value**	**Nominal amount**	**Fair value**	**Nominal amount**
	(in millions of euros)			
Fair value hedges	404	2,221	288	1,908
Cash flow hedges	155	6,089	86	3,219
Net investment hedges	(130)	6,918	(59)	4,659
Derivative instruments not qualifying for hedge accounting	(21)	11,196	10	13,056
TOTAL	**408**	**26,424**	**325**	**22,842**

Interest rate hedges	2011 Fair value	2011 Nominal amount	2010 Fair value	2010 Nominal amount
	(in millions of euros)			
Fair value hedges	563	8,490	378	7,616
Cash flow hedges	(694)	7,261	(282)	5,094
Derivative instruments not qualifying for hedge accounting	(636)	20,782	(35)	19,680
TOTAL	**(766)**	**36,532**	**61**	**32,390**

The fair 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 and interest rate swaps transforming fixed-rate debt into floating-rate debt as fair value hedges.

Cash flow hedges are mainly used to hedge future foreign currency cash flows as well as floating-rate debt.

Net investment hedging instruments are mainly cross currency swaps.

Derivative instruments not qualifying for hedge accounting correspond to instruments that do not meet the definition of hedges from an accounting perspective, even though they are used as economic hedges of borrowings and foreign currency commitments. The impact on foreign currency derivatives is almost entirely offset by gains and losses on the hedged items.

Fair value hedges

At December 31, 2011, 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:

	At December 31, 2011						
	Total	2012	2013	2014	2015	2016	Beyond 5 years
	(in millions of euros)						
Fair value of derivatives by maturity	(539)	(30)	(156)	(108)	(76)	(52)	(117)

	At December 31, 2010						
	Total	2011	2012	2013	2014	2015	Beyond 5 years
	(in millions of euros)						
Fair value of derivatives by maturity	(195)	(69)	(24)	(6)	(22)	1	(75)

At December 31, 2011, gains and losses taken to equity in the period totaled €463 million.

The amount reclassified from equity to income in the period was €48 million.

The ineffective portion of cash flow hedges recognized in income represented a loss of €25 million.

Net investment hedges

The ineffective portion of net investment hedges recognized in income represented a loss of €3 million.

15.2 Counterparty risk

The Group is exposed to counterparty risk from customers, suppliers, partners, intermediaries and banks on its operating and financing activities, when such parties are unable to honor their contractual obligations. Counterparty risk results from a combination of payment risk (failure to pay for services or deliveries carried out), delivery risk (failure to deliver services or products paid for) and the risk of replacing contracts in default (known as mark-to-market exposure – i.e., the cost of replacing the contract in conditions other than those initially agreed).

15.2.1 Operating activities

Counterparty risk arising on operating activities is managed via standard mechanisms such as third-party guarantees, netting agreements and margin calls, using dedicated hedging instruments or special prepayment and debt recovery procedures, particularly for retail customers.

The Group has defined a policy that delegates the management of these risks to the business lines, while still permitting the Group to maintain control over exposure regarding the largest counterparties.

Counterparty creditworthiness is assessed based on a rating process applied to major customers and intermediaries who exceed a certain level of commitment (as well as to banks) and on a simplified scoring process applied to commercial customers whose consumption level is lower.

These processes are based on formally documented, consistent methods across the Group. Consolidated exposures are monitored by counterparty and by segment (credit quality, sector, etc.) using current exposure (payment risk, MtM exposure) and potential exposure (credit VaR) indicators.

The Group's Energy Market Risk Committee (CRME) consolidates and monitors the Group's exposure to its main energy counterparties on a quarterly basis and ensures that the exposure limits set for these counterparties are respected.

Past-due trade and other receivables are analyzed below:

Trade and other receivables, net	**Past due assets not impaired at the reporting date**				**Impaired assets**	**Assets neither impaired nor past due**	
	0-6 months	**6-12 months**	**More than 1 year**	**Total**	**Total**	**Total**	**Total**
				(in millions of euros)			
At December 31, 2011	1,324	285	512	2,121	1,464	20,547	24,132
At December 31, 2010	1,235	261	403	1,900	1,640	18,052	21,592

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 or not 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.

In the case of commodity derivatives, counterparty risk arises from positive fair value. Counterparty risk is taken into account when calculating the fair value of these derivative instruments.

	As of December 31,			
	2011		**2010**	
Counterparty risk[1]	**Investment grade[2]**	**Total**	**Investment grade[2]**	**Total[4]**
	(in millions of euros)			
Gross exposure	5,079	5,885	7,752	8,128
Net exposure[3]..	2,428	2,620	1,670	1,761
% exposure to investment grade counterparties...............	92.7%		94.8%	

(1) Excluding positions with a negative fair value.

(2) Investment grade corresponds to transactions with counterparties rated at least BBB- by Standard & Poor's, Baa3 by Moody's, or an equivalent by Dun & Bradstreet. Investment grade is also determined based on an internal rating model currently being rolled out to the Group and based on a system of counterparties.

(3) After taking into account collateral netting agreements and other credit enhancement.

(4) The difference between the amount exposed to counterparty risk and the total amount of derivatives hedging commodities under assets results from trade receivables and commodity purchase and sale contracts entered into within the ordinary course of business.

15.2.2 Financing activities

For its financing activities, the Group has put in place procedures for managing and monitoring risk based on (i) the accreditation of counterparties according to external credit ratings, objective market data (credit default swaps, market capitalization) and financial structure, and (ii) counterparty risk exposure limits.

To reduce its counterparty risk exposure, the Group drew increasingly on a structured legal framework based on master agreements (including netting clauses) and collateralization contracts (margin calls).

The oversight procedure for managing counterparty risk arising from financing activities is managed by a middle office that operates independently of the Group's Treasury Department and reports to the Finance Division.

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

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

Loans and receivables at amortized cost (excluding trade and other receivables)	**Past due assets not impaired at the reporting date**				**Impaired assets**	**Assets neither impaired nor past due**	
	0-6 months	**6-12 months**	**More than 1 year**	**Total**	**Total**	**Total**	**Total**
				(in millions of euros)			
At December 31, 2011	6	10	24	40	412	4,891	5,343
At December 31, 2010	9	9	12	29	433	3,745	4,208

The balance of outstanding loans and receivables carried at amortized cost (excluding trade and other receivables) does not include impairment losses or changes in fair value and in amortized cost, which totaled €(380) million, €(2) million and €163 million, respectively, at December 31, 2011 (€(399) million, €(2) million, and €18 million, respectively, at December 31, 2010). Changes in these items are presented in Note 14.1.2, "Loans and receivables at amortized cost".

15.2.2.2 Counterparty risk arising from investing activities and the use of derivative financial instruments

The Group is exposed to counterparty risk arising from investments of surplus cash and from the use of derivative financial instruments. In the case of financial instruments at fair value through income, counterparty risk arises on instruments with a positive fair value.

At December 31, 2011, total outstandings exposed to credit risk amounted to €19,755 million.

	As of December 31,							
	2011				2010			
	Total	Investment grade(1)	Unrated(2)	Non-investment grade(2)	Total	Investment grade(1)	Unrated(1)	Non-investment grade(2)
	(in millions of euros)							
Exposure(3)	19,755	94%	5%	1%	14,362	90%	9%	1%

(1) Counterparties rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

(2) The bulk of exposure to unrated or non-investment grade counterparties arises within consolidated companies comprising non-controlling interests, or within Group companies operating in emerging countries where cash cannot be pooled and is therefore invested locally.

(3) After collateralization agreements.

At December 31, 2011, no single counterparty represented more than 10% of cash investments.

15.3 Liquidity risk

In the context of its operating activities, the Group is exposed to a risk of having insufficient liquidity to meet its contractual obligations. As well as the risks inherent in managing working capital, margin calls are required in certain market activities.

The Group has set up a quarterly committee tasked with managing and monitoring liquidity risk throughout the Group, based on maintaining a broad range of investments and sources of financing, preparing forecasts of cash investments and divestments, and performing stress tests on the margin call portfolio.

The Group centralizes virtually all financing needs and cash flow surpluses of the companies it controls, as well as most of their medium- and long-term external financing requirements. Centralization is provided by financing vehicles (long-term and short-term) and by dedicated Group cash pooling vehicles based in France, Belgium and Luxembourg.

Surpluses held by these structures are managed in accordance with a uniform policy. 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.

The onslaught of successive financial crises since 2008 and the ensuing rise in counterparty risk prompted the Group to tighten its investment policy with the aim of keeping an extremely high level of liquidity and protecting invested capital (83% of cash pooled at December 31, 2011 was invested in overnight bank deposits and standard money market funds with daily liquidity). Performance and counterparty risks are monitored on a daily basis for both investment types, allowing the Group to take immediate action where required in response to market developments.

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 Group seeks to diversify its 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.

At December 31, 2011, bank loans accounted for 38% of gross debt (excluding overdrafts and the impact of derivatives and amortized cost), while the remaining debt was raised on capital markets (including €28,719 million in bonds, or 54% of gross debt).

Outstanding short-term commercial paper issues represented 8% of gross debt, or €4,116 million at December 31, 2011. 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, all 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.

Available cash, comprising cash and cash equivalents, financial assets qualifying or designated as at fair value through income, less overdrafts, totaled €15,937 million at December 31, 2011.

The Group also has access to confirmed credit lines. 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 €17,191 million at December 31, 2011, of which €15,149 million was available and undrawn. 89% of total credit lines and 77% of undrawn facilities are centralized. None of these centralized facilities contains a default clause linked to covenants or minimum credit ratings.

15.3.1 Undiscounted contractual payments relating to financial activities

At December 31, 2011, undiscounted contractual payments on net debt (excluding the impact of derivatives and amortized cost) break down as follows by maturity:

	At December 31, 2011						
	Total	**2012**	**2013**	**2014**	**2015**	**2016**	**Beyond 5 years**
	(in millions of euros)						
Bond issues	28,719	2,522	1,314	3,138	2,872	1,636	17,236
Commercial paper	4,116	4,116	0	0	0	0	0
Drawdowns on credit facilities	2,043	506	67	421	60	417	573
Liabilities under finance leases	1,389	139	164	132	97	96	761
Other bank borrowings	15,413	2,935	1,724	2,097	1,000	904	6,754
Other borrowings	1,578	636	91	102	76	53	620
Bank overdrafts and current accounts	1,310	1,310	0	0	0	0	0
Outstanding borrowings and debt	**54,568**	**12,163**	**3,362**	**5,890**	**4,104**	**3,105**	**25,943**
Assets related to financing	(331)	(20)	(193)	(11)	(32)	(11)	(63)
Financial assets qualifying or designated as at fair value through income	(2,572)	(2,572)	0	0	0	0	0
Cash and cash equivalents	(14,675)	(14,675)	0	0	0	0	0
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST	**36,990**	**(5,104)**	**3,168**	**5,879**	**4,072**	**3,094**	**25,880**

	At December 31, 2010						
	Total	**2011**	**2012**	**2013**	**2014**	**2015**	**Beyond 5 years**
	(in millions of euros)						
OUTSTANDING BORROWINGS AND DEBT	45,722	8,210	4,555	2,922	5,516	3,564	20,956
Assets related to financing, financial assets qualifying or designated as at fair value through income, and cash and cash equivalents	(13,192)	(12,871)	(12)	(185)	(11)	(32)	(81)
NET DEBT EXCLUDING THE IMPACT OF DERIVATIVE INSTRUMENTS, CASH COLLATERAL AND AMORTIZED COST	**32,530**	**(4,661)**	**4,543**	**2,736**	**5,505**	**3,532**	**20,874**

At December 31, 2011, undiscounted contractual interest payments on outstanding borrowings and debt break down as follows by maturity:

	At December 31, 2011						
	Total	2012	2013	2014	2015	2016	Beyond 5 years
	(in millions of euros)						
Undiscounted contractual interest payments on outstanding borrowings and debt	20,882	2,277	1,959	1,827	1,628	1,476	11,716

	At December 31, 2010						
	Total	2011	2012	2013	2014	2015	Beyond 5 years
	(in millions of euros)						
Undiscounted contractual interest payments on outstanding borrowings and debt	17,769	1,801	1,902	1,711	1,570	1,370	9,414

At December 31, 2011, 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, 2011						
	Total	2012	2013	2014	2015	2016	Beyond 5 years
	(in millions of euros)						
Derivatives (excluding commodity instruments)	(795)	203	254	(801)	47	(58)	(440)

	At December 31, 2010						
	Total	2011	2012	2013	2014	2015	Beyond 5 years
	(in millions of euros)						
Derivatives (excluding commodity instruments)	214	533	(118)	32	(69)	0	(166)

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:

	At December 31, 2011						
	Total	2012	2013	2014	2015	2016	Beyond 5 years
	(in millions of euros)						
Confirmed undrawn credit facility programs	15,149	1,199	1,060	2,452	4,470	5,689	279

	At December 31, 2010						
	Total	2011	2012	2013	2014	2015	Beyond 5 years
	(in millions of euros)						
Confirmed undrawn credit facility programs	14,588	1,528	5,307	653	1,324	5,193	583

Of these undrawn programs, an amount of €4,116 million is allocated to covering issues of commercial paper.

Undrawn confirmed credit lines include a €4 billion multi-currency syndicated loan maturing in 2015 and contracted in June 2010. These facilities will be used to refinance ahead of maturity credit lines expiring in 2012. These facilities are not subject to any covenants or credit rating requirements.

At December 31, 2011, no single counterparty represented more than 5% of the Group’s confirmed undrawn credit lines.

15.3.2 Undiscounted contractual payments relating to operating activities

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 statement of financial position date.

	Liquidity risk						
	Total	**2012**	**2013**	**2014**	**2015**	**2016**	**Beyond 5 years**
	(in millions of euros)						
Derivative instruments carried in liabilities							
relating to portfolio management activities	(3,357)	(2,334)	(524)	(216)	(98)	(92)	(93)
relating to trading activities	(2,390)	(2,390)					
Derivative instruments carried in assets							
relating to portfolio management activities	3,658	2,668	671	189	55	33	43
relating to trading activities	2,255	2,255					
TOTAL AT DECEMBER 31, 2011	**166**	**199**	**146**	**(27)**	**(43)**	**(59)**	**(50)**

	Liquidity risk						
	Total	**2011**	**2012**	**2013**	**2014**	**2015**	**Beyond 5 years**
	(in millions of euros)						
Derivative instruments carried in liabilities							
relating to portfolio management activities	(2,495)	(1,647)	(622)	(116)	(35)	(23)	(52)
relating to trading activities	(4,062)	(4,062)					
Derivative instruments carried in assets							
relating to portfolio management activities	2,599	1,624	651	228	32	20	44
relating to trading activities	4,098	4,098					
TOTAL AT DECEMBER 31, 2010	**140**	**14**	**29**	**113**	**(3)**	**(4)**	**(9)**

The Group provides an analysis of residual contractual maturities for commodity derivative instruments included in its portfolio management activities. Derivative instruments relating to trading activities are considered to be liquid in less than one year, and are presented under current items in the statement of financial position.

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

In the ordinary course of their business, some Group operating companies entered 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 the Global Gas & LNG, Energy France and Energy Europe & International business lines (expressed in TWh):

	Total at December 31, 2011	**2012**	**2013-2016**	**Beyond 5 years**	**Total at December 31, 2010**
			(in TWh)		
Firm purchases	(10,005)	(983)	(3,059)	(5,963)	(11,013)
Firm sales	2,099	487	686	926	2,115

15.5 Equity risk

At December 31, 2011, available-for-sale securities held by the Group amounted to €1,243 million (see Note 14.1.1).

A fall of 10% in the market price of listed shares would have a negative impact (before tax) of around €124 million on the Group's comprehensive income.

The Group's main unlisted security corresponds to its interest in Flemish inter-municipal companies, which is measured by reference to the regulated asset base.

The Group's portfolio of listed and unlisted securities is managed within the context of a specific investment procedure and its performance is reported on a regular basis to Executive Management.

NOTE 16 EQUITY

16.1 Share capital

	Number of shares			Value (in millions of euros)		
	Total	Treasury	Outstanding	Share capital	Additional paid-in capital	Treasury stock
At December 31, 2009	**2,260,976,267**	**(45,114,853)**	**2,215,861,414**	**2,261**	**30,590**	**(1,644)**
Share issuances	26,217,490		26,217,490	26	471	
Share cancelations	(36,898,000)	36,898,000	0	(37)	(1,378)	1,415
Purchases and disposals of treasury stock		(17,637,311)	(17,637,311)			(436)
At December 31, 2010	**2,250,295,757**	**(25,854,164)**	**2,224,441,593**	**2,250**	**29,683**	**(665)**
Share issuances	2,340,451		2,340,451	2	33	
Purchases and disposals of treasury stock		(13,029,330)	(13,029,330)			(264)
AT DECEMBER 31, 2011	**2,252,636,208**	**(38,883,494)**	**2,213,752,714**	**2,253**	**29,715**	**(930)**

Changes in the number of shares during 2011 result from:

- the exercise of stock subscription options (2.3 million shares, see Note 23.1.1);
- net acquisitions of shares carried out under the Group's stock repurchase program (see Note 16.3), including 6.7 million shares purchased in connection with the liquidity agreement and 6.3 million shares purchased in connection with new stock purchase or bonus share plans.

Changes in the number of shares during 2010 resulted from:

- employee share issuances as part of the worldwide employee share plan baptized "LINK 2010" (see Note 23.2). In all, 24.2 million shares were subscribed in addition to 0.5 million shares awarded at no consideration, bringing the total value of the August 24, 2010 capital increase to €478 million (excluding issuance costs);
- the exercise of stock subscription options (1.5 million shares);
- the cancellation of all of the 36,898,000 treasury shares held at end-December 2009, decided by the Board of Directors on August 9, 2010.

16.2 Potential share capital and instruments providing a right to subscribe for new GDF SUEZ SA shares

Instruments providing a right to subscribe for new GDF SUEZ SA shares consist solely of stock subscription options awarded by the Group to its employees and corporate officers. Stock subscription plans in force at December 31, 2011 are described in Note 23.1.1, "Details of stock option plans in force". The maximum number of new shares that could be created if these options were to be exercised was 22.6 million at December 31, 2011.

Shares to be allocated under bonus share and Performance Share award plans (described in Note 23.3, "Bonus shares and Performance Shares") will be covered by existing GDF SUEZ SA shares.

16.3 Treasury stock

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 May 2, 2011. This program provides for the repurchase of up to 10% of the shares comprising the share capital of GDF SUEZ SA at the date of said shareholders' Meeting. The aggregate amount of acquisitions net of expenses under the program may not exceed the sum of €12 billion, and the purchase price must be less than €55 per share.

At December 31, 2011, the Group held 38.9 million treasury shares, of which 32.2 million were held to cover the Group's share commitments to employees and corporate officers, and 6.7 million were held in connection with the liquidity agreement.

The Company has entered into a liquidity agreement with an investment services provider. Under this agreement, the investment services provider agrees to buy and sell GDF SUEZ SA shares to organize the market for and ensure the liquidity of the share on the Paris and Brussels stock markets. The agreement concerns a total of €300 million. The number of shares that may be purchased in connection with the liquidity agreement may not exceed 22,500,000.

16.4 Other disclosures concerning additional paid-in capital and consolidated reserves

Total additional paid-in capital and consolidated reserves at December 31, 2011 (including net income for the year) amounted to €60,920 million, of which €226 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. Consolidated reserves also include cumulative actuarial differences, which represented losses of €1,423 million at December 31, 2011 (losses of €829 million at December 31, 2010) and deferred taxes on these actuarial differences, amounting to €449 million at end-2011 (€236 million at end-2010).

The distributable paid-in capital and reserves of GDF SUEZ SA totaled €43,602 million at December 31, 2011 (€44,509 million at December 31, 2010).

16.5 Dividends

The table below shows the dividends and interim dividends paid by GDF SUEZ SA in 2009, 2010 and 2011.

	Amount distributed	Net dividend per share
	(in millions of euros)	(in euros) (cash dividends)
In respect of 2009		
Remaining dividend payout for 2009 (paid May 10, 2010)	1,484	0.67
In respect of 2010		
Interim dividend (paid November 15, 2010)	1,846	0.83
Remaining dividend payout for 2010 (paid May 9, 2011)	1,490	0.67
In respect of 2011		
Interim dividend (paid November 15, 2011)	1,838	0.83

Recommended dividend for 2011

Shareholders at the shareholders' Meeting convened to approve the Group's financial statements for the year ended December 31, 2011, will be asked to approve a dividend of €1.50 per share, representing a total payout of €3,321 million based on the number of shares outstanding at December 31, 2011. An interim dividend of €0.83 per share was paid on November 15, 2011, representing a total amount of €1,838 million.

Subject to approval by the shareholders' Meeting, this dividend shall be paid from April 30, 2012 and is not recognized as a liability in the accounts at December 31, 2011. The consolidated financial statements at December 31, 2011 are therefore presented before the appropriation of earnings.

16.6 Total gains and losses recognized in equity (Group share)

	December 31, 2011	Change	December 31, 2010	Change	December 31, 2009
			(in millions of euros)		
Available-for-sale financial assets	185	(462)	646	(119)	765
Net investment hedges	(27)	(58)	31	(63)	95
Cash flow hedges (excl. commodity instruments)	(283)	(86)	(196)	11	(207)
Commodity cash flow hedges	677	334	342	445	(103)
Deferred tax on items above	(153)	(103)	(50)	(144)	95
Share of associates in recyclable items, net of taxes	(159)	(185)	27	48	(22)
Translation adjustments	447	(75)	522	877	(355)
TOTAL RECYCLABLE ITEMS	**687**	**(636)**	**1,323**	**1,054**	**268**
Actuarial gains and losses	(1,393)	(644)	(748)	(479)	(269)
Deferred tax on actuarial gains and losses	447	213	235	149	86
Share of associates in non-recyclable items and actuarial gains and losses, net of taxes	(29)	46	(75)	(14)	(61)
TOTAL NON-RECYCLABLE ITEMS	**(974)**	**(385)**	**(588)**	**(344)**	**(244)**
TOTAL	**(287)**	**(1,021)**	**734**	**710**	**24**

The “change” column mainly includes gains and losses recorded over the period (see Statement of comprehensive income), and impacts of changes in the scope of consolidation.

All of the items shown in the table above may be reclassified to income in subsequent periods except actuarial gains and losses, which are shown within consolidated reserves attributable to the Group.

Translation adjustments reclassified to income in the period related to the sale of GDF SUEZ LNG Liquefaction (€8 million) and to the sale of interests in EFOG (€20 million).

16.7 Non-controlling interests

In 2011, the Group acquired a 69.78% controlling interest in International Power plc. The “non-controlling interests” acquired as a result of this transaction amounted to €6,303 million at the acquisition date.

China Investment Corporation (“CIC”) acquired a non-controlling interest of 30% in the Group’s Exploration & Production business (“GDF SUEZ E&P”). As a result of this transaction, an amount of €1,341 million was recognized in “Non-controlling interests” at the acquisition date.

Lastly, the public consortium comprising CNP Assurances, CDC Infrastructure and Caisse des Dépôts acquired a 25% non-controlling interest in GRTgaz. The consortium’s non-controlling interest amounted to €923 million at the transaction date.

These transactions are described in further detail in Note 2, “Main changes in Group structure”.

In 2010, SUEZ Environnement Company issued €750 million in deeply-subordinated, perpetual “hybrid” notes (excluding issuance costs). These notes are subordinated to all senior creditors, and have an initial fixed coupon of 4.82% for the first five years.

As the notes are equity instruments, the proceeds of the issuance, less issuance costs net of tax, are recognized under “Non-controlling interests” within equity.

16.8 Capital management

GDF SUEZ looks 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 statement of financial position. 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 (see Note 16.3, "Treasury stock), 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

	December 31, 2010	Additions	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments	Translation adjustments	Other	December 31, 2011
	(in millions of euros)								
Post-employment benefits and other long-term benefits	4,362	260	(385)	(2)	188	210	5	570	5,209
Nuclear fuel reprocessing and storage	3,936	106	(20)	0	0	196	0	0	4,218
Dismantling of plant and equipment(1)	2,840	2	(8)	(2)	0	140	(8)	(23)	2,941
Site rehabilitation	1,362	45	(64)	(7)	33	49	9	108	1,536
Other contingencies	1,969	772	(539)	(144)	267	8	4	(58)	2,279
Total provisions	**14,469**	**1,184**	**(1,016)**	**(155)**	**488**	**604**	**11**	**596**	**16,183**

(1) Of which €2,532 million in provisions for dismantling nuclear facilities at December 31, 2011, versus €2,413 million at December 31, 2010.

The "Changes in scope of consolidation" column chiefly reflects the impacts of the International Power acquisition (see Note 2, "Main changes in Group structure").

The impact of unwinding discounting adjustments in respect of post-employment benefit obligations and other long-term benefits relates to the interest cost on the pension obligations, net of the expected return on plan assets.

The "Other" column mainly reflects (i) actuarial gains and losses arising on post-employment benefits in 2011 and recorded in other comprehensive income; and (ii) the increase in provisions for site rehabilitation in the Exploration & Production business, for which the matching entry is recorded in property, plant and equipment.

Allocations, reversals and the impact of unwinding discounting adjustments are presented as follows in the consolidated income statement:

	December 31, 2011
	(in millions of euros)
Net allocations	
Income from operating activities	2
Other financial income and expenses	604
Income tax expense	12
Total	**617**

The different types of provisions and the calculation principles applied are described below.

17.1 Post-employment benefits and other long-term benefits

See Note 18.

17.2 Liabilities for nuclear power generation activities

In the context of its nuclear power generation activities, the Group assumes obligations 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 Commission for Nuclear Provisions set up pursuant to the above-mentioned law is to oversee the process of computing and managing these provisions. The Commission 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 Commission for Nuclear Provisions 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 measure these provisions.

On September 22, 2010, Synatom submitted its triennial report on nuclear provisions to the Commission for Nuclear Provisions. In comparison with the previous report, core inputs such as estimation methods, financial parameters and management scenarios remained unchanged. The changes taken into account were aimed at incorporating the latest economic data and detailed technical analyses (tariffs, physical and radiological inventories, etc.).

For the purpose of its review of the 2010 report, the Commission for Nuclear Provisions asked for two additional analyses in 2011. These were provided by the Group on November 22, 2011. The Commission accepted the arguments and additional information provided by Synatom.

The acceptance of the Commission for Nuclear Provisions results in a decrease in the present value of the obligation for managing radioactive fissile material. However, in the light of recent changes of the nuclear context, and more particularly due to additional constraints evoked in terms of resistance testing of fuel storage facilities, to date the total amount of the provision has not been changed (exception made for recurring changes related to the unwinding effect and to the fuel used during the year). Taking account of the above, the adjustment at December 31, 2011 would not have been material.

The provisions set aside 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 costs estimates used as a basis for the calculations could vary. However, the Group is not aware of additional planned legislation on this matter which could materially impact the value of the provisions.

The provisions recognized by the Group at December 31, 2011 were measured taking into account the prevailing contractual and legal framework, which sets the operating life of nuclear reactors at 40 years (as in 2010).

At the end of 2009, an agreement was signed with the Belgian government under which the latter agreed to take the appropriate legal measures to extend the lifespan of three nuclear reactors from 40 to 50 years.

However, the new Belgian government which was formed at the end of 2011, confirmed during its statement of policy and in its general policy note submitted to the Belgian Chamber of Representatives on January 5, 2012, that it did not intend to revise existing legislation so as to allow the lifespan of the Doel 1, Doel 2 and Tihange 1 nuclear power plants to be extended by ten years (from 40 to 50 years). By mid-2012, the Secretary of State for Energy will draw up a development plan for new diversified production capacities in order to credibly ensure the security of electricity supply in the country for the short, medium and long term. The closure dates of the nuclear plants will be specified depending on the precise and detailed implementation agenda of the new capacities.

Any extension to the lifespan of the three nuclear reactors concerned by the 2009 agreement entered into with the previous government should not have a material impact on the dismantling provisions. The postponed dismantling operations lead to a less-than-optimal coordination compared to the dismantling of all facilities. This effect is however offset by the deferred effect of cash outflows. The changes to these provisions – subject to certain conditions – would accordingly be recognized against to the corresponding assets.

Provisions for nuclear fuel reprocessing and storage should not be significantly affected by the extension to the lifespan of the three oldest reactors since the average unit cost of reprocessing all radioactive spent nuclear fuel until the end of the operating period does not change materially.

17.2.2 Provisions for nuclear fuel reprocessing and storage

When spent nuclear fuel is removed from a reactor, it remains radioactive and requires reprocessing. Two different procedures for managing radioactive spent fuel exist, being either reprocessing or conditioning without reprocessing. The Belgian government has not yet decided which scenario will be made compulsory in Belgium.

The Commission for Nuclear Provisions bases its analyses on reprocessing of radioactive spent nuclear fuel. The Group therefore measures these provisions using all the costs linked to this reprocessing scenario, including on-site storage, transportation, reprocessing by an accredited facility, storage and removal of residual spent fuel after reprocessing.

Provisions for nuclear fuel reprocessing and storage are calculated based on the following principles and parameters:

- costs are calculated based on a reprocessing scenario, with operations expected to start in 2016, whereby the spent fuel is reprocessed and ultimately removed and buried in a deep geological depository. Plutonium recovered through the reprocessing will be recycled to produce MOX fuel assemblies for use in the Belgian nuclear power plants until their closure and for the sale to third parties thereafter;

- cash outflows will be spread on a period to 2060. At that date 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 reprocessing scenario, the last residual spent fuel would be buried in about 2080;

- the long-term obligation is assessed using estimated internal and external costs based on offers received from third parties or fee proposals from independent organizations;

- the 5% discount rate (actual rate of 3% and 2% inflation rate) is based on an analysis of the average, past and prospective changes in the benchmark long-term rates;

- allocation to the provision is computed based on the average unit cost of quantities used up to the end of the operating life of the plants;

- an annual allocation is also recognized with respect to the unwinding effect of the provision.

Due to the nature and term of payment, the costs effectively incurred in the future may differ from the 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 to date and which have been approved by the Commission for Nuclear Provisions.

17.2.3 Provisions for dismantling nuclear facilities

Nuclear power stations have to be dismantled at the end of their operating life. 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, and is the same as the rate used to calculate the provision for nuclear fuel processing and storage;
- dismantling work is expected to begin between three and four years after the facilities concerned have been shut down, taking into account the currently applicable useful life of 40 years as of the date the facilities are commissioned;
- cash outflows are spread over approximately 9 to 13 years after the date the dismantling work has started;
- 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 allocation 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.

Provisions are also recognized at the Group's share of the expected dismantling costs for the nuclear facilities in which the Group has drawing rights.

17.2.4 Sensitivity

Based on currently applicable parameters in terms of estimated costs and the timing of cash outflows, a change of 50 basis points in the discount rate could lead to an adjustment of around 10% in dismantling and nuclear fuel reprocessing and storage 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.

A 5% increase or decrease in nuclear dismantling or nuclear fuel reprocessing and storage costs could increase or decrease the corresponding provisions by roughly the same percentage.

Changes arising as a result of the review of the dismantling provision would not have an immediate impact on the comprehensive income, since the matching entry under certain conditions would consist of adjusting accordingly the corresponding assets.

Sensitivity to discount rates as 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 – some of which may be interdependent – included in the evaluation. The frequency with which these provisions are reviewed by the Commission for Nuclear Provisions 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 and LNG terminals, 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.

Based on revised estimates of proven and probable reserves using current production levels (another 250 years according to the International Energy Agency), in 2010 the Group revised the timing of its dismantling provisions for gas infrastructures in France. These provisions, whose present value is now virtually zero, have been reversed (see Note 5.5, “Other non-recurring items”).

17.4 Site rehabilitation

17.4.1 Waste activities

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 over 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 counterparty to the provision and depreciated in line with the depletion of the 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 statement of financial position 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).

17.4.2 Exploration & Production activities

The Group also sets aside a provision for its obligations in terms of rehabilitating exploration and production facilities.

The provision reflects the present value of the estimated rehabilitation costs until the operating activities are completed. This provision is computed based on the Group's internal assumptions regarding estimated rehabilitation costs and the timing of the rehabilitation work. The timing of the rehabilitation work used as the basis for the provision may vary depending on the time when production is considered no longer economically viable. This consideration is itself closely related to fluctuations in future gas and oil prices.

The provision is recognized with a matching entry to property, plant and equipment.

17.5 Other contingencies

This caption includes provisions for miscellaneous employee-related litigation, environmental risks and various business risks, as well as amounts intended to cover tax disputes, claims and similar contingencies. These are discussed in further detail in Note 26, "Legal and anti-trust proceedings".

NOTE 18 POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM BENEFITS

18.1 Description of the main pension plans

The Group's main pension plans are described below.

18.1.1 Companies belonging to the Electricity and Gas Industries sector in France

Since January 1, 2005, the CNIEG (Caisse Nationale des Industries Électriques et Gazières) has operated the pension, disability, death, occupational accident and occupational illness benefit plans for electricity and gas industry (hereinafter "EGI") companies in France. 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 affiliated Group entities are GDF SUEZ SA, GrDF, GRTgaz, Elengy, Storengy, GDF SUEZ Thermique France, CPCU, TIRU, GEG, Compagnie Nationale du Rhône (CNR) and SHEM.

Following the funding reform of the special EGI pension scheme introduced by Act No. 2004-803 of August 9, 2004 and its implementing decrees, specific benefits (pension benefits on top of the standard benefits payable under ordinary law) already vested at December 31, 2004 ("past specific benefits") were allocated between the various EGI entities. Past specific benefits (benefits vested at December 31, 2004) relating to regulated transmission and distribution businesses ("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 (benefits vested at December 31, 2004) are funded by EGI sector entities to the extent defined by decree No. 2005-322 of April 5, 2005. The specific benefits vested under the scheme since January 1, 2005 are wholly financed by EGI sector companies in proportion to their respective share of the electricity and gas market as measured by total payroll costs.

As this plan represents a defined benefit scheme, the Group has set aside a pension provision in respect of specific benefits payable to employees of unregulated activities and specific benefits vested by employees of regulated activities since January 1, 2005. This provision also covers the Group's early retirement obligations.

Following the pension reform in France published in the Official Journal on November 10, 2010, there will be a gradual two-year rise in the legal retirement age under the special EGI pension scheme as from January 1, 2017, based on an increase of four months each year to reach 62 years on January 1, 2022 for employees in “sedentary occupations having completed 15 years of active service. The period during which employees pay in contributions to be eligible for a full pension was increased to 41.5 years under the special EGI regime as from January 1, 2020.

Pension benefit obligations and other “mutualized” obligations are assessed by the CNIEG.

At December 31, 2011, the projected benefit obligation in respect of the special pension scheme for EGI sector companies amounted to €2.3 billion (€2.1 billion at December 31, 2010).

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), Laborelec and some GDF SUEZ Belgium 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 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.

The projected benefit obligation relating to these plans represented around 12% of total pension obligations and related liabilities at December 31, 2011.

“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, the 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 continue to be recognized by the Group as defined contribution schemes, mainly because no material net liability has been identified. The actual rate of return was compared with the guaranteed minimum rate of return; the unfunded portion was not material at December 31, 2011.

An expense of €16 million was recognized in 2011 in respect of these defined contribution plans.

18.1.3 Multi-employer plans

Employees of some Group companies are affiliated to multi-employer pension plans. 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.

Under multi-employer plans, risks are pooled to the extent that the plan is funded by a single contribution rate determined for all affiliate companies and applicable to all employees. The GDF SUEZ Group accounts for multi-employer plans as defined contribution plans.

An expense of €78 million was recognized in 2011 in respect of multi-employer pension plans.

18.1.4 Other pension schemes

Most other Group companies grant their employees retirement benefits. In terms of financing, pension plans within the Group are almost equally split between defined benefit and defined contribution plans.

The Group’s main pension plans outside France and Belgium concern:

- United States: the United Water defined benefit plan is available to employees of the regulated sector. All US subsidiaries offer their employees a 401(k) type defined contribution plan;
- United Kingdom: the large majority of defined benefit pension plans are now closed to new entrants and benefits no longer vest under these plans. All entities run a defined contribution scheme. The pension obligations of International Power's subsidiaries in the UK are covered by the special Electricity Supply Pension Scheme (ESPS). The assets of this defined benefit scheme are invested in separate funds. Since June 1, 2008, the scheme has been closed to new entrants. A defined contribution plan was set up for those concerned. The rights of employees recruited before June 1, 2008 continue to vest under this plan;
- Germany: the Group's German subsidiaries have closed their defined benefit plans to new entrants and now offer defined contribution plans;
- Brazil: Tractebel Energia operates its own pension scheme. This scheme has been split into two parts, one for the (closed) defined benefit plan, and the other for the defined contribution plan that has been available to new entrants since the beginning of 2005.

18.2 Description of other post-employment benefit obligations and long-term benefits

18.2.1 Other benefits granted to current and former EGI sector employees

Other benefits granted to EGI sector employees are:

Post-employment benefits:

- reduced energy prices;
- end-of-career indemnities;
- bonus leave;
- immediate bereavement benefits.

Long-term benefits:

- allowances for occupational accidents and illnesses;
- temporary and permanent disability allowances;
- long-service awards.

The Group's main obligations are described below.

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 prices known as "employee rates".

This benefit entitles employees to electricity and gas supplies at a reduced price. For retired employees, this provision represents a post-employment defined benefit. Retired employees are only entitled to the reduced rate if they have completed at least 15 years' service within EGI sector companies.

In accordance with the agreements signed with EDF in 1951, GDF SUEZ provides gas to all current and former employees of GDF SUEZ and EDF, while EDF supplies these same beneficiaries with electricity. GDF SUEZ pays (or benefits from) the balancing contribution payable in respect of its employees as a result of energy exchanges between the two utilities.

The obligation to provide energy at a reduced price to current and former employees is measured as the difference between the energy sale price and the preferential rates granted.

The provision set aside in respect of reduced energy prices amounts to €1.7 billion.

18.2.1.2 End-of-career indemnities

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

EGI sector employees are entitled to compensation for accidents at work and 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 benefits granted to employees of the gas and electricity sector in Belgium

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 length-of-service awards and early retirement schemes. These benefits are not prefunded, with the exception of the special "allocation transitoire termination indemnity (equal to three months' statutory pension), considered as an end-of-career indemnity and managed by an external insurance company.

18.2.3 Other collective agreements

Most other Group companies also grant their staff post-employment benefits (early retirement plans, medical coverage, benefits in kind, etc.) and other long-term benefits such as jubilee and length-of-service awards.

18.3 Defined benefit plans

18.3.1 Amounts presented in the statement of financial position and statement of comprehensive income

In accordance with IAS 19, the information presented in the statement of financial position relating to post-employment benefit obligations and other long-term benefits results from the difference between the gross projected benefit obligation, the fair value of plan assets, and any unrecognized past service cost. A provision is recognized if this difference is positive (net obligation), while a prepaid benefit cost is recorded in the statement of financial position when the difference is negative, provided that the conditions for recognizing the prepaid benefit cost are met.

Changes in provisions for post-employment benefits and other long-term benefits, plan assets and reimbursement rights recognized in the statement of financial position are as follows:

	Provisions	Plan assets	Reimbursement rights
		(in millions of euros)	
At December 31, 2009	**(3,862)**	**196**	**143**
Exchange rate differences	(32)	(0)	
Changes in scope of consolidation and other	94	(94)	
Actuarial gains and losses	(523)	18	(5)
Periodic pension cost	(445)	(4)	7
Asset ceiling/IFRIC 14	1	1	
Contributions/benefits paid	405	6	(3)
At December 31, 2010	**(4,362)**	**122**	**142**

	Provisions	Plan assets	Reimbursement rights
	(in millions of euros)		
Exchange rate differences	(7)	0	
Changes in scope of consolidation and other	(86)	(116)	
Actuarial gains and losses	(752)	(0)	(17)
Periodic pension cost	(525)	2	6
Asset ceiling/IFRIC 14		(0)	
Contributions/benefits paid	523	6	(4)
At December 31, 2011	**(5,209)**	**13**	**128**

Plan assets and reimbursement rights are presented in the statement of financial position under “Other non-current assets” or “Other current assets”.

The cost recognized for the period in the income statement amounts to €523 million in 2011 and €449 million in 2010. The components of this defined benefit cost in the period are set out in Note 18.3.4, “Components of the net periodic pension cost”.

Cumulative actuarial gains recognized in equity amounted to €1,615 million at December 31, 2011, compared to €892 million at December 31, 2010.

	2011	2010
	(in millions of euros)	
At January 1	**892**	**376**
Actuarial (gains)/losses generated during the year	723	516
At December 31	1,615	892

Actuarial gains and losses presented in the above table include translation adjustments and actuarial gains and losses recorded on equity-accounted associates, representing net actuarial gains of €30 million in 2011 and net actuarial losses of €11 million in 2010. Net actuarial differences arising in the period and presented on a separate line in the statement of comprehensive income represented a net actuarial loss totaling €752 million in 2011 and €500 million in 2010. The €500 million net actuarial loss in 2010 included an actuarial loss of €133 million resulting from the impact of the pension reform law in France published in the Official Journal on November 10, 2010. The Group had considered that the changes in the pension obligation resulting from these measures (increase in the retirement age and the pay-in period) represented changes in actuarial assumptions.

18.3.2 Change in benefit obligations and plan assets

The table below shows the amount of the Group’s projected benefit obligations and plan assets, changes in these items during the periods presented, and their reconciliation with the amounts reported in the statement of financial position:

	As of December 31,							
	2011				2010			
	Pension benefit obligations (a)	Other post-employment benefit obligations (b)	Long-term benefit obligations (c)	Total benefit obligations	Pension benefit obligations (a)	Other post-employment benefit obligations (b)	Long-term benefit obligations (c)	Total benefit obligations
	(in millions of euros)							
A. Change in Projected Benefit Obligation								
Projected benefit obligation at January 1	**(6,130)**	**(2,037)**	**(508)**	**(8,675)**	**(5,502)**	**(1,659)**	**(465)**	**(7,626)**
Service cost	(249)	(59)	(51)	(359)	(212)	(24)	(39)	(274)
Interest cost	(318)	(96)	(23)	(437)	(293)	(81)	(22)	(396)
Contributions paid	(16)			(16)	(11)			(11)
Amendments	3	(1)		2	(1)			(1)
Acquisitions/disposals of subsidiaries	(349)	(43)	(2)	(394)	(187)	2	1	(184)
Curtailments/settlements	19	1	1	21	208	1	1	209
Non-recurring items	(3)	(3)		(6)	41	(5)		35
Actuarial gains and losses	(287)	(299)	3	(584)	(402)	(349)	(34)	(785)
Benefits paid	390	122	56	569	351	83	53	486
Other (translation adjustments)	(2)	(4)	1	(5)	(121)	(4)	(3)	(128)
Projected benefit obligation at December 31 - A	**(6,942)**	**(2,418)**	**(524)**	**(9,884)**	**(6,130)**	**(2,037)**	**(508)**	**(8,675)**
B. Change in Fair Value of Plan Assets								
Fair value of plan assets	**4,399**	**47**	**0**	**4,447**	**3,934**	**39**	**0**	**3,973**
Expected return on plan assets	243	3		247	205	3		208
Actuarial gains and losses	(157)	(9)		(166)	240	7		247
Contributions received	318	24		342	262	21		283
Acquisitions/disposals of subsidiaries	191			191	188	(5)		184
Settlements	(2)			(2)	(198)			(198)
Benefits paid	(343)	(24)		(367)	(327)	(21)		(348)
Other (translation adjustments)	(3)	1		(2)	95	3		98
Fair value of plan assets at December 31 - B	**4,648**	**44**	**0**	**4,691**	**4,399**	**47**	**0**	**4,447**
C. Funded status A+B	**(2,295)**	**(2,375)**	**(524)**	**(5,193)**	**(1,730)**	**(1,990)**	**(508)**	**(4,228)**
Unrecognized past service cost	7	(8)		(1)		(11)		(11)
Asset ceiling [(1)]		(1)		(1)				0
Net benefit obligation	**(2,288)**	**(2,384)**	**(524)**	**(5,195)**	**(1,730)**	**(2,001)**	**(508)**	**(4,239)**
Accrued benefit liability	**(2,301)**	**(2,384)**	**(524)**	**(5,209)**	**(1,853)**	**(2,001)**	**(508)**	**(4,362)**
Prepaid benefit cost	**13**			**13**	**122**	**0**		**122**

(1) Including additional provisions set aside on application of IFRIC 14.

(a) Pensions and retirement bonuses.

(b) Reduced energy prices, healthcare, gratuities and other post-employment benefits.

(c) Length-of-service awards and other long-term benefits.

Changes in the scope of consolidation in 2011 chiefly concerned the acquisition of International Power (€165 million).

The amount recorded within “Non-recurring items” in 2010 mainly reflects the write-back of the provision set aside at end-2005 in connection with the review clause and no longer warranted.

18.3.3 Change in reimbursement rights

Changes in the fair value of the reimbursement rights relating to plan assets managed by Contassur were as follows:

	2011	2010
	(in millions of euros)	
Fair value at January 1	**142**	**143**
Expected return on plan assets	6	7
Actuarial gains and losses	(17)	(5)
Actual return	(11)	2
Employer contributions	14	18
Employee contributions	2	2
Acquisitions/disposals excluding business combinations		
Curtailments		
Benefits paid	(20)	(22)
Fair Value at December 31	**128**	**142**

18.3.4 Components of the net periodic pension cost

The net periodic cost recognized in respect of defined benefit obligations for the years ended December 31, 2011 and 2010 breaks down as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Current service cost	359	274
Interest cost	437	396
Expected return on plan assets	(246)	(208)
Actuarial gains and losses(1)	(2)	34
Past service cost	(12)	(1)
Gains or losses on pension plan curtailments, terminations and settlements	(19)	(11)
Non-recurring items	6	(35)
Total	**523**	**449**
o/w recorded in current operating income	333	261
o/w recorded in net financial income/(loss)	191	188

(1) On long-term benefit obligation.

18.3.5 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 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(1)	Total net obligation
			(in millions of euros)		
Underfunded plans	(6,373)	4,464	(5)		(1,914)
Overfunded plans	(215)	227	(0)	(1)	10
Unfunded plans	(3,297)		5		(3,292)
At December 31, 2011	**(9,885)**	**4,691**	**(1)**	**(1)**	**(5,195)**
Underfunded plans	(5,308)	4,086	(15)		(1,237)
Overfunded plans	(345)	361	(2)	(1)	14
Unfunded plans	(3,023)	0	7		(3,016)
At December 31, 2010	**(8,676)**	**4,447**	**(10)**	**(1)**	**(4,239)**

(1) Including additional provisions set aside on application of IFRIC 14.

The allocation of plan assets by principal asset category can be analyzed as follows:

	2011	2010
Equities	29%	28%
Bonds	50%	52%
Real estate	4%	3%
Other (including money market securities)	17%	18%
Total	**100%**	**100%**

18.3.6 Actuarial assumptions

Actuarial assumptions are determined individually by country and company in conjunction with independent actuaries. Weighted discount rates are presented below:

	Pension benefit obligations		Other post-employment benefit obligations		Long-term benefit obligations		Total benefit obligations	
	2011	2010	2011	2010	2011	2010	2011	2010
Discount rate	4.5%	4.8%	4.1%	4.8%	4.0%	4.8%	4.4%	4.8%
Estimated future increase in salaries	3.0%	3.0%	N/A	N/A	2.7%	2.7%	2.8%	2.8%
Expected return on plan assets	5.8%	5.9%	7.2%	5.9%	N/A	N/A	5.9%	5.9%
Average remaining working years of participating employees	14 years	13 years	15 years	15 years	15 years	15 years	14 years	13 years

18.3.6.1 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 term of the plan.

The discount rates used for EUR are based on the Bloomberg indexes for 10-, 15-, and 20-year bonds issued by AA-rated companies. The discount rates used for GBP are extrapolated from the yield on government bonds and the spread between government bonds and bonds issued by AA-rated companies.

According to the Group's estimates, a 1% increase or decrease in the discount rate would result in a change of approximately 13% in the obligations.

18.3.6.2 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 geographic area.

The return on plan assets relating to Group companies in Belgium in 2011 was around 5% for assets managed by Group insurance companies and 2% for assets managed by pension funds.

The return on plan assets for companies eligible for the EGI pension scheme was a negative 1% in 2011.

According to the Group's estimates, a 1% increase or decrease in the expected return on plan assets would result in a change of approximately 1% in the value of plan assets.

The table below shows the weighted average return on plan assets broken down by asset category:

	2011	2010
Equities	6.3%	7.1%
Bonds	3.4%	5.1%
Real estate	5.3%	6.4%
Other (including money market securities)	2.4%	2.6%
Total	**4.1%**	**5.9%**

18.3.6.3 Other assumptions

The rate of increase in medical costs (including inflation) was estimated at 2%.

A one percentage point change in the assumed increase in healthcare costs would have the following impacts:

	One point increase	One point decrease
	(in millions of euros)	
Impact on expenses	5	(4)
Impact on pension obligations	56	(44)

18.3.7 Experience adjustments

The breakdown of experience adjustments giving rise to actuarial gains and losses is as follows:

	2011		2010		2009		2008		2007	
	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
	(in millions of euros)									
Projected benefit obligation at December 31	(6,942)	(2,942)	(6,130)	(2,545)	(5,502)	(2,124)	(5,634)	(2,187)	(4,066)	(713)
Fair value of plan assets	4,648	44	4,399	47	3,934	39	3,831	40	2,452	47
Surplus/deficit	(2,295)	(2,899)	(1,730)	(2,498)	(1,568)	(2,085)	(1,803)	(2,147)	(1,614)	(666)
Experience adjustments to projected benefit obligation	127	167	236	115	(5)	(15)	(95)	12	(12)	(62)
As a % of the total	*-2%*	*-6%*	*-4%*	*-5%*	*0%*	*1%*	*2%*	*-1%*	*0%*	*9%*
Experience adjustments to fair value of plan assets	(157)	(9)	250	7	176	2	528	12	(9)	1
As a % of the total	*-3%*	*-20%*	*5%*	*15%*	*4%*	*6%*	*14%*	*29%*	*0%*	*3%*

18.3.8 Geographical breakdown of net obligations

In 2011, the geographical breakdown of the main obligations and actuarial assumptions (weighted average rates) was as follows:

	Eurozone			United Kingdom			United States			Rest of the World		
	Pension benefit obligations	Other post-employment benefit obligations	Long-term benefit obligations	Pension benefit obligations	Other post-employment benefit obligations	Long-term benefit obligations	Pension benefit obligations	Other post-employment benefit obligations	Long-term benefit obligations	Pension benefit obligations	Other post-employment benefit obligations	Long-term benefit obligations
	(in millions of euros)											
Net benefit obligations	(1,810)	(2,226)	(503)	(125)	—	(1)	(102)	(55)	—	(251)	(102)	(20)
Discount rate	3.9%	4.0%	3.9%	4.9%	—	4.8%	5.2%	5.3%	—	6.5%	4.5%	4.0%
Estimated future increase in salaries	2.7%	—	2.6%	4.3%	—	—	3.1%	—	—	3.5%	—	4.8%
Expected return on plan assets	5.1%	—	—	5.4%	—	—	7.2%	8.5%	—	7.8%	—	—
Average remaining working years of participating employees	15	16	16	20	—	15	13	14	—	9	14	12

18.3.9 Estimated employer contributions payable in 2012 under defined benefit plans

The Group expects to pay around €239 million in contributions into its defined benefit plans in 2012, including €78 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.

18.4 Defined contribution plans

In 2011, the Group recorded a €122 million charge in respect of amounts paid into Group defined contribution plans (€113 million in 2010). These contributions are recorded under "Personnel costs" in the consolidated income statement.

NOTE 19 EXPLORATION & PRODUCTION ACTIVITIES

19.1 Exploration & Production assets

Exploration & Production assets break down into the following three categories: Exploration & Production licenses, presented under "Intangible assets" in the statement of financial position, fields under development, shown under "Assets in development phase", and fields in production, shown under "Assets in production phase", which are included in "Property, plant and equipment" in the statement of financial position.

	Licenses	Assets in development phase	Assets in production phase	Total
	(in millions of euros)			
A. Gross amount				
At December 31, 2009	**778**	**1,420**	**5,827**	**8,025**
Changes in scope of consolidation				
Acquisitions	286	387	89	762
Disposals			(28)	(28)
Translation adjustments	19	46	160	225
Other	17	(1,422)	1,291	(114)
At December 31, 2010	**1,101**	**431**	**7,339**	**8,870**

	Licenses	Assets in development phase	Assets in production phase	Total
		(in millions of euros)		
Changes in scope of consolidation		(40)	(451)	(491)
Acquisitions	30	377	263	670
Disposals				
Translation adjustments	22	10	46	79
Other	(3)	(121)	148	24
At December 31, 2011	**1,149**	**658**	**7,345**	**9,151**
B. Accumulated amortization, depreciation and impairment				
At December 31, 2009	(262)	(4)	(1,051)	(1,317)
Changes in scope of consolidation				
Disposals				
Amortization, depreciation and impairment	(85)		(745)	(830)
Translation adjustments	(8)		(20)	(28)
Other		4		4
At December 31, 2010	**(355)**	**0**	**(1,816)**	**(2,170)**
Changes in scope of consolidation			165	165
Disposals				
Amortization, depreciation and impairment	(20)		(868)	(888)
Translation adjustments	(7)		(19)	(26)
Other		(3)	16	12
At December 31, 2011	**(382)**	**(3)**	**(2,522)**	**(2,907)**
C. Carrying amount				
At December 31, 2010	**746**	**432**	**5,523**	**6,700**
At December 31, 2011	**767**	**655**	**4,823**	**6,244**

Acquisitions in 2011 mainly include an additional interest acquired in the Njord field (€112 million) and developments carried out in the year on the Gudrun site (€145 million) and the Gjøa platform (€96 million) in Norway.

The “Changes in scope of consolidation” line corresponds to the sale of EFOG.

19.2 Capitalized exploration costs

The following table provides a breakdown of the net change in capitalized exploration costs:

	2011	2010
	(in millions of euros)	
At January 1	**272**	**75**
Changes in scope of consolidation	—	—
Capitalized exploration costs for the year	241	206
Amounts recognized in expenses for the period	(73)	(63)
Other	(40)	54
At December 31	**400**	**272**

Capitalized exploration costs are reported in the statement of financial position within “Other assets”.

19.3 Investments during the period

Investments for the Exploration & Production business amounted to €636 million and €647 million, respectively, in 2011 and 2010. Investments are included in “Acquisitions of property, plant and equipment and intangible assets” in the statement of cash flows.

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 categories depending on the type of asset concerned.

The main finance lease agreements entered into by the Group primarily concern Novergie's incineration facilities, certain International Power power plants and Cofely's cogeneration plants.

The present values of future minimum lease payments break down as follows:

	Future minimum lease payments at December 31, 2011		Future minimum lease payments at December 31, 2010	
	Undiscounted value	Present value	Undiscounted value	Present value
	(in millions of euros)			
Year 1	206	191	265	254
Years 2 to 5 inclusive	737	631	695	649
Beyond year 5	936	564	832	559
Total Future Minimum Lease Payments	**1,879**	**1,386**	**1,792**	**1,462**

The following table provides a reconciliation of liabilities under finance leases as reported in the statement of financial position (see Note 14.2.1) with undiscounted future minimum lease payments by maturity:

	Total	Year 1	Years 2 to 5 inclusive	Beyond year 5
	(in millions of euros)			
Liabilities under finance leases	1,389	139	489	761
Impact of discounting future repayments of principal and interest	489	66	248	175
Undiscounted Minimum Lease Payments	**1,879**	**206**	**737**	**936**

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 the Solvay (Belgium), Lanxess (Belgium), Bowin (Thailand) and Saudi Aramco (Saudi Arabia) cogeneration facilities and for certain International Power power plants.

	As of December 31,	
	2011	2010
	(in millions of euros)	
Undiscounted future minimum lease payments	2,358	720
Unguaranteed residual value accruing to the lessor	54	30
Total Gross Investment in the Lease	2,412	749
Unearned financial income	816	163
Net Investment in the Lease (Statement of Financial Position)	1,596	587
• *O/W present value of future minimum lease payments*	1,561	571
• *O/W present value of unguaranteed residual value*	35	15

Amounts recognized in the statement of financial position in connection with finance leases are detailed in Note 14.1.2, “Loans and receivables at amortized cost”.

Undiscounted future minimum lease payments receivable under finance leases can be analyzed as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Year 1	202	141
Years 2 to 5 inclusive	788	298
Beyond year 5	1,368	280
Total	**2,358**	**720**

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 2011 and 2010 can be analyzed as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Minimum lease payments	(1,047)	(831)
Contingent lease payments	(165)	(93)
Sub-letting income	58	19
Sub-letting expenses	(93)	(97)
Other operating lease expenses	(179)	(231)
Total	**(1,425)**	**(1,232)**

Future minimum lease payments under non-cancelable operating leases can be analyzed as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Year 1	812	696
Years 2 to 5 inclusive	1,950	1,715
Beyond year 5	1,867	1,606
Total	**4,629**	**4,017**

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 primarily concern power plants operated by International Power.

Operating lease income for 2011 and 2010 can be analyzed as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Minimum lease payments	889	767
Contingent lease payments	18	12
Total	**906**	**779**

Lease income is recognized in revenue.

Future minimum lease payments receivable under non-cancelable operating leases can be analyzed as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Year 1	724	554
Years 2 to 5 inclusive	2,475	2,037
Beyond year 5	1,960	1,999
Total	**5,159**	**4,590**

NOTE 22 SERVICE CONCESSION ARRANGEMENTS

SIC 29 – Service Concession Arrangements: Disclosures 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 concession operator.

IFRIC 12 was published in November 2006 and 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 1.5.7).

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;

(b) and 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 expenditure to be made by the concession operator.

In consideration of these obligations, GDF SUEZ is entitled to bill either the local authority granting 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 1.5.7).

The tangible asset model is used when the concession grantor does not control the infrastructure. For example, this is the case with 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 also natural 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 1.5.7), this obligation leads to the recognition of a capital renewal and replacement liability.

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. Exceptionally, 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 1.5.7). For the distribution of natural gas in France, the Group applies the ATRD rates set by ministerial decree following consultation with the French Energy Regulatory Commission (CRE). The rate is generally determined 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), using the useful lives and rates of return on capital employed set by the CRE. The Regulated Asset Base includes mainly pipelines and connections depreciated over a period of 45 years.

NOTE 23 SHARE-BASED PAYMENT

Expenses recognized in respect of share-based payment break down as follows:

		Expense for the year	
		As of December 31,	
	Notes	2011	2010
		(in millions of euros)	
Stock option plans	23.1	41	57
Employee share issues	23.2	3	34
Share Appreciation Rights(1)	23.2	5	(4)
Bonus/Performance Share plans	23.3	86	34
Exceptional bonus		—	(3)
Other Group plans	23.3.5	12	—
Total		**145**	**119**

(1) Set up within the scope of employee share issues in certain countries.

23.1 Stock option plans

GDF SUEZ stock option plans

No new GDF SUEZ stock option grants were approved by the Group's Board of Directors in either 2011 or 2010.

The terms and conditions of plans set up prior to 2010 are described in previous Registration Documents prepared by SUEZ and subsequently GDF SUEZ.

SUEZ Environnement Company stock option plans

In 2011, the Board of Directors of SUEZ Environnement Company decided not to implement any new stock option plans.

The terms and conditions of plans set up in previous years are described in previous Registration Documents prepared by SUEZ Environnement Company.

23.1.1 Details of stock option plans in force

GDF SUEZ PLANS

Plan	Date of authoriz-ing AGM	Vesting date	Adjusted exercise price *(in euros)*	Number of benefit-ciaries per plan	Number of options granted to members of the Executive Committee (2)	Outstand-ing options at December 31, 2010	Options exercised (3)	Options canceled	Outstand-ing options at December 31, 2011	Expiration date	Residu-al life
11/28/2001	5/4/2001	11/28/2005	30.7	3,160	1,784,447	5,682,343		5,682,343	0	11/28/2011	
11/20/2002 (1)	5/4/2001	11/20/2006	15.7	2,528	1,327,819	1,780,240	152,235	10,668	1,617,337	11/19/2012	0.9
11/19/2003	5/4/2001	11/19/2007	12.4	2,069	1,263,500	1,591,168	1,447,520	143,648	0	11/18/2011	
11/17/2004 (1)	4/27/2004	11/17/2008	16.8	2,229	1,302,000	5,459,192	371,676	25,116	5,062,400	11/16/2012	0.9
12/9/2005 (1)	4/27/2004	12/9/2009	22.8	2,251	1,352,000	6,071,401	369,020	11,249	5,691,132	12/8/2013	1.9
1/17/2007 (1)	4/27/2004	1/17/2011	36.6	2,173	1,218,000	5,763,617		21,960	5,741,657	1/16/2015	3.0
11/14/2007 (1)	5/4/2007	11/14/2011	41.8	2,107	804,000	4,493,070		20,856	4,472,214	11/13/2015	3.9
11/12/2008	7/16/2008	11/12/2012	32.7	3,753	2,615,000	6,375,900		41,646	6,334,254	11/11/2016	4.9
11/10/2009	5/4/2009	11/10/2013	29.4	4,036	0	5,121,406		32,407	5,088,999	11/9/2017	5.9
Total					**11,666,766**	**42,338,337**	**2,340,451**	**5,989,893**	**34,007,993**		
Including:											
Stock option purchase plans						11,497,306	0	74,053	11,423,253		
Stock subscription plans						30,841,031	2,340,451	5,915,840	22,584,740		

(1) Plans exercisable at December 31, 2011.

(2) Corresponding to the Management Committee at the time the options were awarded in 2000 and 2001.

(3) In certain specific circumstances such as retirement or death, outstanding options may be exercised in advance of the vesting date.

Stock option plans included in the calculation of diluted earnings per share in 2011 (see Note 8, “Earnings per share”) relate to plans granted at an exercise price lower than the average annual price for GDF SUEZ shares in 2011 (€24.20).

SUEZ ENVIRONNEMENT COMPANY PLANS

Plan	Date of authorizing AGM	Vesting date	Exercise price	Outstanding options at December 31, 2010	Options exercised(1)	Options granted	Options canceled or expired	Outstanding options at December 31, 2011	Expiration date	Residual life
12/17/2009	5/26/2009	12/17/2013	15.49	3,434,448	0	0	18,558	3,415,890	12/16/2017	6.0
12/16/2010	5/26/2009	12/16/2014	14.20	2,944,200	0	0	23,700	2,920,500	12/15/2018	7.0
Total				**6,378,648**	**0**	**0**	**42,258**	**6,336,390**		

(1) In certain specific circumstances such as retirement or death, outstanding options may be exercised in advance of the vesting date.

23.1.2 Number of GDF SUEZ stock options

	Number of options	Average exercise price
	(in euros)	
Balance at December 31, 2010	**42,338,337**	**28.6**
Options granted		
Options exercised	(2,340,451)	15.0
Options canceled	(5,989,893)	30.2
Balance at December 31, 2011	**34,007,993**	**29.2**

23.1.3 Accounting impact

Based on a staff turnover assumption of 5%, the expense recorded during the period in relation to the Group's stock option plans was as follows:

			Expense for the year As of December 31,	
Grant Date	**Issuer**	**Fair value per share(1)**	**2011**	**2010**
		(in euros)	(in millions of euros)	
January 17, 2007	GDF SUEZ	12.3	1	17
November 14, 2007	GDF SUEZ	15.0	14	16
November 12, 2008	GDF SUEZ	9.3	14	14
November 10, 2009	GDF SUEZ	6.0	8	8
December 17, 2009	SUEZ Environnement Company	3.3	3	3
December 16, 2010	SUEZ Environnement Company	2.9	2	0
Total			**41**	**57**

(1) Weighted average (where applicable) between plans with and without a performance condition.

23.1.4 Share Appreciation Rights

The award of Share Appreciation Rights (SARs) to US employees in 2007, 2008 and 2009 (as replacement for stock options) does not have a material impact on the consolidated financial statements.

23.2 Employee share issues

23.2.1 Description of available plans granted by GDF SUEZ

In 2010, Group employees were entitled to subscribe to employee share issues as part of the Link 2010 worldwide employee share ownership plan. They could subscribe to either:

- the Link Classique plan: this plan allows employees to subscribe to shares either directly or *via* an employee investment fund at lower-than-market price; or

- the Link Multiple plan: under this plan, employees may subscribe to shares, either directly or *via* an employee investment fund, and also benefit from any appreciation in the Group share price (leverage effect) at the end of the mandatory lock-up period; or

- 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.

23.2.2 Accounting impact

GDF SUEZ did not issue any new shares to employees in 2011. The only impacts of employee share issues on 2011 income relate to SARs, for which the Group recognized an expense of €5 million in the year (including shares covered by warrants).

In 2010, the Group recognized an expense of €34 million in respect of the 24.2 million shares subscribed and the 0.5 million shares contributed by GDF SUEZ under the Link 2010 plan. The impact of SARs (including shares covered by warrants) awarded under the Link 2010 plan was a gain of €7 million.

23.2.3 SUEZ Environnement employee share issues

In 2011, SUEZ Environnement launched "Sharing", its first employee shareholding plan. Employees could subscribe to either:

- the "Sharing Classique" plan, offering shares at a lower-than-market price plus an employer contribution. Participants of this plan are exposed to the risk of share price fluctuations. In France, employees received an employer contribution as part of the share savings plan. Outside France, the employer contribution took the form of a bonus share award. As an alternative in the UK, a Share Incentive Plan ("SIP") was set up allowing employees to subscribe at a price equal to the lower of the share price at October 3 and at December 7, 2011, as well as an employer contribution;
- the "Sharing Multiple" plan, providing a leverage effect allowing employees to round out their personal contributions as well as a lower-than-market share price. Under an exchange agreement with the structuring bank, employees receive at least the equivalent of their personal contributions, plus a guaranteed rate of return. In the United States and Sweden, the Sharing Multiple plan has been adapted in line with local laws and regulations and operates through an alternative mechanism known as Share Appreciation Rights.

The employer contribution under the Sharing Classique plan was calculated as follows:

- for the first 15 shares subscribed, one bonus share was granted for every one share subscribed;
- from the 16th share subscribed, one bonus share was granted for every two shares subscribed;
- the total matching contribution was capped at a maximum of 30 bonus shares for 45 shares subscribed.

The expense recognized in respect of the Sharing plan amounts to €2 million.

23.3 Bonus shares and Performance Shares

23.3.1 New awards in 2011

GDF SUEZ Performance Share plan of January 13, 2011

On January 13, 2011, the Board of Directors approved the allocation of 3,426,186 Performance Shares to members of the Group's executive and senior management in two tranches:

- Performance Shares vesting on March 14, 2014, subject to a further two-year non-transferability period; and
- Performance Shares vesting on March 14, 2015.

Each tranche is made up of various instruments subject to different conditions:

- instruments with a single condition: Performance Shares subject to an internal performance condition relating to the level of Group EBITDA in 2013;

- instruments with two conditions: Performance Shares subject to an internal performance condition relating to Group EBITDA in 2013, and a market performance condition relating to GDF SUEZ's total share return compared to that of the Euro Stoxx Utilities index;

- instruments with three conditions: Performance Shares subject to internal performance conditions relating to Group EBITDA and ROCE in 2013, and to a market performance condition regarding the performance of the GDF SUEZ share compared to the Euro Stoxx Utilities index.

GDF SUEZ bonus share plan of June 22, 2011

On June 22, 2011, the Board of Directors decided to award a new bonus share plan to employees for 2011. This plan provides for the award of 4.2 million bonus GDF SUEZ shares to Group employees, subject to the following conditions:

- continuing employment with the Group at April 30, 2013 (except in the case of retirement, death or disability);

- two- or four-year vesting periods, depending on each country;

- a mandatory lock-in period of two or three years after the final vesting date (June 23, 2013) in certain countries.

GDF SUEZ Performance Share plan of December 6, 2011

On January 6, 2011, the Board of Directors approved the allocation of 2,996,920 Performance Shares to members of the Group's executive and senior management in two tranches:

- Performance Shares vesting on March 14, 2015, subject to a further two-year non-transferability period; and

- Performance Shares vesting on March 14, 2016.

Each tranche is made up of various instruments subject to different conditions:

- instruments with a single condition: Performance Shares subject to an internal performance condition relating to the level of Group EBITDA in 2014;

- instruments with two conditions: Performance Shares subject to an internal performance condition relating to Group EBITDA in 2014, and a market performance condition relating to GDF SUEZ's total share return compared to that of the Euro Stoxx Utilities index.

23.3.2 Fair value of bonus shares and Performance Shares

The fair value of GDF SUEZ Performance Shares was calculated using the method described in Note 1 to the consolidated financial statements for the year ended December 31, 2011 (see Note 1.5.14.2). The following assumptions were used to calculate the fair value of new plans granted in 2011:

Grant date	Vesting date	End of the non-transferability period	Share Price at grant date	Expected dividend rate	Employee financing costs	Non-transferability restriction (€/share)	Stock market-related performance condition	Fair value per share
January 13, 2011	March 14, 2014	March 15, 2016	€28.2	5.5%	5.8%	(1.0)	No	€22.7
January 13, 2011	March 14, 2014	March 15, 2016	€28.2	5.5%	5.8%	(1.0)	Yes	€17.6
January 13, 2011	March 14, 2015	March 14, 2015	€28.2	5.5%	5.8%	0.0	No	€22.4
January 13, 2011	March 14, 2015	March 14, 2015	€28.2	5.5%	5.8%	0.0	Yes	€17.3
Weighted average fair value of the January 13, 2011 plan								**€18.1**
March 2, 2011	March 14, 2013	March 14, 2015	€28.2	5.5%	5.8%	(1.3)	No	€23.9

March 2, 2011	March 14, 2014	March 14, 2016	€28.2	5.5%	5.8%	(1.0)	No	€23.0
Weighted average fair value of the March 2, 2011 plan								**€23.3**
June 22, 2011	June 23, 2013	June 23, 2015	€24.6	6.0%	5.8%	(1.2)	No	€20.6
June 22, 2011	June 23, 2013	June 23, 2016	€24.6	6.0%	5.8%	(2.5)	No	€19.3
June 22, 2011	June 23, 2013	December 31, 2015	€24.6	6.0%	5.8%	(3.0)	No	€18.8
June 22, 2011	June 23, 2015	June 23, 2015	€24.6	6.0%	5.8%	0.0	No	€19.3
Weighted average fair value of the June 22, 2011 plan								**€20.0**
December 6, 2011	March 15, 2016	March 15, 2016	€21.0	6.0%	7.6%	0.0	No	€16.3
December 6, 2011	March 15, 2016	March 15, 2016	€21.0	6.0%	7.6%	0.0	Yes	€9.9
December 6, 2011	March 15, 2015	March 15, 2017	€21.0	6.0%	7.6%	(1.4)	No	€15.9
December 6, 2011	March 15, 2015	March 15, 2017	€21.0	6.0%	7.6%	(1.4)	Yes	€9.6
Weighted average fair value of the December 6, 2011 plan								**€11.3**

23.3.3 Review of internal performance conditions applicable to the plans

Eligibility for certain bonus share and Performance Share plans is subject to an internal performance condition. When this condition is not fully met, the number of bonus shares granted to employees is reduced in accordance with the plans’ regulations, leading to a decrease in the total expense recognized in relation to the plans in accordance with IFRS 2.

Performance conditions are reviewed at each reporting date. Reductions in volumes of shares awarded in 2011 due to a failure to meet performance criteria were not material.

23.3.4 Plans in force at December 31, 2011 and impact on income

The expense recorded during the period in relation to the plans in force is as follows:

Grant date	Number of shares awarded (1)	Fair value per share (2)	Expense for the year As of December 31, 2011	2010
		(in euros)	(in millions of euros)	
GDF SUEZ share plans				
Bonus share plans				
June 2007 plan (GDF)	1,539,009	33.4		
July 2007 plan (SUEZ)	2,175,000	37.8	5	9
August 2007 plan (Spring)	193,686	32.1	1	1
May 2008 plan (GDF)	1,586,906	40.3	-	(8)
June 2008 plan (SUEZ)	2,372,941	39.0	6	(4)
July 2009 plan (GDF SUEZ)	3,297,014	19.7	15	26
August 2010 plan (Link)	207,947	19.4	1	0
June 2011 plan (GDF SUEZ)	4,173,448	20.0	16	
Performance Share plans				
February 2007 plan (SUEZ)	989,559	36.0		
November 2007 plan (SUEZ)	1,244,979	42.4	-	(14)
November 2008 plan (GDF SUEZ)	1,812,548	28.5	(1)	(3)
November 2009 plan (GDF SUEZ)	1,693,840	24.8	12	15
January 2010 plan (ExCom)	348,660	18.5	3	3
March 2010 plan (Uni-T)	51,112	21.5	0	0
January 2011 plan (GDF SUEZ)	3,426,186	18.1	17	
March 2011 plan (Uni-T)	57,337	23.3	0	
December 2011 plan (GDF SUEZ)	2,996,920	11.3	1	
SUEZ Environnement Company share plans				
July 2009 plan (SUEZ Environnement Company)	2,040,810	9.6	5	7
December 2009 plan (SUEZ Environnement Company)	173,852	12.3	1	1

Grant date	Number of shares awarded (1)	Fair value per share (2)	Expense for the year As of December 31, 2011	2010
		(in euros)	(in millions of euros)	
December 2010 plan (SUEZ Environnement Company)............	829,080	10.8	3	0
			86	34

(1) Number of shares awarded after adjustments relating to the merger with Gaz de France in 2008.

(2) Weighted average (where applicable).

23.3.5 International Power Performance Share plans

International Power modified its Performance Share plan prior to the date of its acquisition by GDF SUEZ. The 2008, 2009 and 2010 plans were canceled ahead of maturity. As consideration, beneficiaries received a cash payment representing a total of €24 million, settled after the acquisition date. As a liability for €24 million had been recognized in International Power's statement of financial position at the acquisition date, no expense was recognized in respect of these Performance Share plans in the Group's 2011 income statement.

The impact of the Performance Shares awarded to International Power's executive and senior management in March 2011 is not material.

NOTE 24 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 25, "Executive compensation".

The Group's main subsidiaries (fully consolidated companies) are listed in Note 28, "List of the main consolidated companies at December 31, 2011". The Group's main associates and joint ventures are listed in Note 12, "Investments in associates" and Note 13, "Investments in joint ventures", respectively. Only material transactions are described below.

24.1 Relations with the French State and with entities owned or partly owned by the French State

24.1.1 Relations with the French State

Further to the merger between Gaz de France and SUEZ on July 22, 2008, the French State owns 36.0% of GDF SUEZ and appoints 6 representatives to the Group's 22-member Board of Directors.

The French State holds a golden share aimed at protecting France's critical interests and ensuring the continuity and safeguarding of supplies in the energy sector. The golden share is granted to the French State indefinitely and entitles it to veto decisions taken by GDF SUEZ if it considers they could harm France's interests.

Public service engagements in the energy sector are defined by the law of January 3, 2003.

They are implemented by means of a new public service contract dated December 23, 2009, which sets out the Group's public service obligations and the conditions for rate regulation in France:

- as part of its public service obligations, the Group is reinforcing its commitments in terms of the protection of goods and individuals, solidarity and assistance to low-income customers, sustainable development and research;

- regarding the conditions for rate regulation in France, a decree was published in connection with the contract redefining the overall regulatory framework for setting and changing natural gas rates in France. The mechanism as a whole provides clearer direction on the conditions for changing regulated rates, notably through rate change forecasts based on costs incurred. It also establishes rules and responsibilities for the various players over the period 2010-2013.

Transmission rates on the GRT Gaz transportation network and the gas distribution network in France, as well as rates for accessing the French LNG terminals, are all regulated. Rates are set by ministerial decrees.

24.1.2 Relations with EDF

Following the creation on July 1, 2004 of the French gas and electricity distribution network operator (EDF Gaz de France Distribution), Gaz de France SA and EDF entered into an agreement on April 18, 2005 setting out their relationship as regards the distribution business. The December 7, 2006 law on the energy sector reorganized the natural gas and electricity distribution networks. ERDF SA, a subsidiary of EDF SA, and GrDF SA, a subsidiary of GDF SUEZ SA, were created on January 1, 2007 and January 1, 2008, respectively, and act in accordance with the agreement previously signed by the two incumbent operators.

24.2 Relations with the CNIEG (Caisse Nationale des Industries Electriques et Gazières)

The Group's relations with the CNIEG, which manages all old-age, death and disability benefits for active and retired employees of the Group who belong to the special EGI pension plan, employees of EDF and Non-Nationalized Companies (*Entreprises Non Nationalisées* – ENN), are described in Note 18, "Post-employment benefits and other long-term benefits".

24.3 Transactions with joint-ventures and associates

24.3.1 Joint-ventures

	Purchases of goods and services	Sales of goods and services	Net financial income/ (loss) (excl. dividends)	Trade and other receivables	Loans and receivables at amortized cost	Trade and other payables	Borrowings and debt	Commitments and guarantees given
				(in millions of euros)				
SPP group	125	133				2		
Eco Electrica		107						
Tirreno Power	269	74		38		55		
WSW Energie und Wasser	105	92		5	6	6		
EFOG	381		1					
Energia Sustentavel Do Brasil							348	1,366
Other	443	446	(19)	207	722	72	83	693
Total	1,323	852	(18)	250	728	135	431	2,059

EFOG (United Kingdom)

The Group sold its 22.5% interest in EFOG on December 31, 2011 (see Note 2, "Main changes in Group structure").

In 2011, the Group purchased gas from EFOG for €381 million (€257 million in 2010).

As part of its policy of pooling surplus cash, the Group received cash advances from EFOG. The outstanding amount of these advances totaled €115 million at December 31, 2010. At December 31, 2011, the Group's liability in respect of EFOG was taken over by Total within the scope of the Group's sale of its interest in EFOG.

AceaElectrabel group (Italy)

In the first quarter of 2011, GDF SUEZ and Acea terminated their partnership concerning energy activities in Italy. As indicated in Note 2, "Main changes in Group structure", the Group acquired a controlling interest in certain entities and sold the marketing company AceaElectrabel Elettricita along with a number of production assets to Acea. Only Tirreno Power, jointly owned with GDF SUEZ Energia Italiana, continues to be proportionately consolidated.

Sales of electricity between GDF SUEZ and Tirreno Power amounted to €269 million in 2011.

Loans granted by the Group to Acea amounted to €349 million at December 31, 2010, while sales of gas and electricity to AceaElectrabel totaled €100 million.

SPP group (Slovakia)

GDF SUEZ holds a 24.5% interest in the SPP group.

Natural gas sales and other services billed to the SPP group amounted to €133 million in 2011 and €125 million in 2010.

Purchases of natural gas and other services provided by the SPP group amounted to €125 million in 2011 and €124 million in 2010.

At end-2011, the Group's accounts receivable and payable with SPP were not material (€22 million and €25 million, respectively, at December 31, 2010).

Eco Electrica (Puerto Rico)

GDF SUEZ holds 24.4% of the share capital of Eco Electrica, and 50% of its voting rights.

Sales of natural gas billed to Eco Electrica totaled €107 million 2011.

WSW Energie und Wasser (Germany)

GDF SUEZ owns 33.1% of the share capital of WSW Energie und Wasser and 33.1% of its voting rights. Sales and purchases of electricity between the Group and WSW Energie und Wasser amounted to €92 million and €105 million, respectively, in 2011.

Energia Sustentavel Do Brasil (Brazil)

GDF SUEZ holds 34.9% of the share capital of Energia Sustentavel do Brasil, and 50.1% of its voting rights.

This consortium was set up in 2008 to build, own and operate the 3,450 MW hydroelectric Jirau power plant.

Energia Sustentavel Do Brasil carried out a capital increase in 2011. The total amount of subscribed capital to be paid by the Group was €348 million at December 31, 2011.

In 2009, the Brazilian development bank (Banco Nacional de Desenvolvimento Econômico e social) granted a BRL 7 billion loan (around €3 billion) to Energia Sustentavel do Brasil. Each partner stands as guarantor for this debt to the extent of its ownership interest in the consortium.

24.3.2 Associates

	Purchases of goods and services	Sales of goods and services	Trade and other receivables	Loans and receivables at amortized cost	Commitments and guarantees given
			(in millions of euros)		
Inter-municipal companies	1,427	47	7	111	406
Contassur			128		
International Power ventures in the Middle East		400	23	124	657
Paiton		19	9	136	

Inter-municipal companies

The mixed inter-municipal companies in Brussels, Flanders and Walloon manage the electricity and gas distribution network in Belgium.

Following various transactions and events which occurred during the first half of 2011 (see Note 2, “Main changes in Group structure”), as from June 30, 2011 the Group no longer had significant influence over the Flemish inter-municipal companies and has accounted for its interest in those companies within “Available-for-sale securities”. Consequently as of this date, any transactions with mixed inter-municipal companies referred to in this note no longer include transactions with the inter-municipal companies based in Flanders.

At December 31, 2011, Electrabel had granted cash advances to the inter-municipal companies totaling €111 million (€123 million at December 31, 2010).

Electrabel Customer Solutions (ECS) purchased gas and electricity network distribution rights from the inter-municipal companies in an amount of €1,394 million in 2011, compared with €2,012 million in 2010. Trade receivables and payables relating to gas and electricity supply services between the Group and the mixed inter-municipal companies are not material.

Electrabel stands as guarantor for €406 million of the loans contracted by mixed inter-municipal companies in the Walloon region in connection with the financing for capital decreases.

Contassur

Contassur is a life insurance company accounted for under the equity method. It is 15%-owned by Electrabel.

Contassur offers insurance contracts, chiefly with pension funds that cover post-employment benefit obligations for Group employees and also employees of other companies mainly engaged in regulated activities in the electricity and gas sector in Belgium.

Insurance contracts entered into by Contassur represent reimbursement rights recorded within “Other assets” in the statement of financial position. These reimbursement rights totaled €128 million at December 31, 2011 (€142 million at December 31, 2010).

International Power ventures in the Middle East

International Power’s ventures in the Middle East own and operate electricity production plants and seawater desalination facilities.

The Group sold €400 million of electricity, gas and services to these companies in 2011.

Loans granted by the Group to these ventures in the Middle East totaled €124 million at December 31, 2011.

Guarantees given by the Group to these entities totaled €657 million at December 31, 2011.

Paiton

GDF SUEZ holds 28.2% of the share capital of Paiton, and 44.7% of its voting rights.

Loans granted by the Group to Paiton totaled €136 million at December 31, 2011.

NOTE 25 EXECUTIVE COMPENSATION

The Group’s key management personnel comprise the members of the Executive Committee and Board of Directors. The number of members on the Executive Committee was extended from 18 to 27 in 2011.

Their compensation breaks down as follows:

	As of December 31,	
	2011	2010
	(in millions of euros)	
Short-term benefits	39	33
Post-employment benefits	6	4
Share-based payment	12	17
Termination benefits	3	2
Total	**60**	**56**

NOTE 26 LEGAL AND ANTI-TRUST PROCEEDINGS

The Group is party to a number of legal and anti-trust proceedings with third parties or with the tax authorities of certain countries in the normal course of its business.

These legal and arbitration proceedings presented hereafter are recognized as liabilities or give rise to contingent assets or liabilities.

Provisions recorded in respect of these proceedings totaled €763 million as of December 31, 2011 (€638 million as of December 31, 2010).

26.1 Legal and arbitration proceedings

26.1.1 Electrabel – Hungarian State

Electrabel, GDF SUEZ Group, filed international arbitration proceedings against the Hungarian State before the International Centre for Settlement of Investment Disputes (ICSID), for breach of obligations pursuant to the Energy Charter Treaty. Initially, the dispute mainly pertained to (i) electricity prices set in the context of a long-term power purchase agreement (PPA) entered into between the power plant operator Dunamenti (in which Electrabel owns a 74.82% interest) and MVM (a company controlled by the Hungarian State) on October 10, 1995, and (ii) allocations of CO^2 emission allowances in Hungary. The arbitration hearing took place in February 2010 and the arbitrators will hand down their verdict on the question of liability.

Following (i) the decision taken by the European Commission on June 4, 2008, according to which the long-term PPAs in force at the time of Hungary's accession to the EU (including the agreement between Dunamenti and MVM) have been deemed illegal State aid incompatible with the EU Treaty, and (ii) Hungary's subsequent decision to terminate these agreements, Electrabel extended its request in order to obtain compensation for the damage suffered as a consequence of such termination. In April 2010, the European Commission approved the method developed by the Hungarian authorities to calculate the amount of State aid and stranded costs. Following this approval, at the end of April 2010, the Hungarian authorities adopted a decree implementing this method and its principles (refer also to Note 26.2.4 "Competition and concentration/Long-term Power Purchase Agreements in Hungary").

Furthermore, the European Commission petitioned the arbitration tribunal for *amicus curiae* participation on August 13, 2008. This request was accepted and was limited to a brief filing.

26.1.2 Slovak Gas Holding

Slovak Gas Holding ("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.

In November 2008, SGH sent a notice of dispute to the Slovak Republic under (i) the Energy Charter Treaty and (ii) the Bilateral Treaty, entered into by the Slovak Republic with the Czech Republic on the one hand and the Netherlands on the other hand. This notice of dispute is a precondition to international arbitration proceedings under the above-mentioned treaties. Its purpose is to initiate an informal negotiation period to enable the parties to reach an amicable settlement. In view of the results of the negotiations, the notice of dispute was reviewed and completed on

December 28, 2010. Now it mainly concerns the losses incurred by SPP between 2008 to 2011 as a result of the regulator's refusal to set prices based on actual costs incurred plus a reasonable profit margin.

The negotiations resulted in the withdrawal of the legal framework which limited the possibility to request price increases to cover gas selling costs plus a reasonable profit margin (law referred to as Lex SPP). Negotiations on other issues are now underway.

26.1.3 Squeeze-out bid for 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 the claim unfounded.

On June 27, 2011, the Court of Cassation overturned the appeal brought by Deminor and others on May 22, 2009. It is for Deminor and others to bring an action against the Belgian financial services and markets authority (*Autorité belge des services et marchés financiers* - FSMA), formerly the Belgian Banking, Financial and Insurance Commission, and GDF SUEZ before the Brussels Court of Appeal, sitting in a different formation.

MM. Geenen and others initiated similar proceedings before the Brussels Court of Appeal, which were rejected on the grounds that the application (*acte introductif d'instance*) was void. A new application was filed, without involving Electrabel and the FSMA. By a ruling issued on December 24, 2009, the Court dismissed Geenen's appeal on procedural grounds.

Mr. Geenen appealed this decision before the Court of Cassation on June 2, 2010. The proceeding is pending.

26.1.4 AES Energia Cartagena

GDF SUEZ is involved in arbitration proceedings lodged by AES Energia Cartagena before the ICC International Court of Arbitration in September 2009 in connection with the Energy Agreement dated April 5, 2002. The Energy Agreement governs the conversion by AES Energia Cartagena of gas supplied by GDF SUEZ into electricity at the combined cycle power plant located in Cartagena, Spain.

The proceedings relate to the question as to which of the parties should bear past and future costs and expenditures arising in connection with the power plant and in particular those relating to CO^2, emissions permits, property taxes and social subsidies. The arbitration proceedings were held in London. When brought to a conclusion, on October 21, 2011, the parties were informed that the arbitrators had made a draft award which must now be submitted to ICC internal review, mainly as to its form.

On October 20, 2011, the parties signed a settlement agreement. This agreement is subject to certain conditions precedent including the initial completion date of December 31, 2011, which was eventually extended to February 17, 2012. The conditions precedent were met on January 31, 2012 and the closing date was set for February 9, 2012. In the meantime, the arbitration proceedings have been suspended.

26.1.5 Argentina

In Argentina, concession contract tariffs were frozen by a Public Emergency and Exchange Regime Reform Act (Emergency Act) enacted in January 2002, preventing the application of tariff indexation clauses in the event of a loss in value of the Argentine peso against the US dollar.

In 2003, SUEZ (now GDF SUEZ) and its joint shareholders, water distribution concession operators in Buenos Aires and Santa Fe, launched arbitration proceedings against the Argentine State in its capacity as concession grantor before the ICSID. The purpose of these proceedings is to enforce concession contract clauses in accordance with the Franco-Argentine Bilateral Investment Protection Treaties.

These ICSID arbitration proceedings aim to obtain compensation for the loss of value of investments made since the start of the concession, as a consequence of measures taken by the Argentine State following the adoption of the above-mentioned Emergency Act. In 2006, the ICSID recognized its jurisdiction over the two disputes. The hearings for both proceedings took place in 2007. Alongside the ICSID proceedings, the concession operators Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to launch proceedings to terminate their concession contracts before the local administrative courts.

However, due to a decline in the financial position of the concession-holding companies since the Emergency Act, Aguas Provinciales de Santa Fe announced at its Shareholders' Meeting of January 13, 2006 that it was filing for bankruptcy.

At the same time, Aguas Argentinas filed for "Concurso Preventivo" (similar to the French bankruptcy procedure). As part of this procedure, a settlement proposal involving the novation of Aguas Argentinas's admissible liabilities was approved by creditors and confirmed by the bankruptcy court on April 11, 2008. The settlement of these liabilities is underway. The proposal provides for an initial payment of 20% of these liabilities (approximately USD 40 million) upon approval, and a second payment of 20% in the event that compensation is obtained from the Argentine State. As controlling shareholders, GDF SUEZ and Agbar decided to financially support Aguas Argentinas in making this initial payment and paid sums of USD 6.1 million and USD 3.8 million respectively, at the time of confirmation.

As a reminder, prior to the merger of SUEZ and Gaz de France and the stock market listing of SUEZ Environnement Company, SUEZ and SUEZ Environnement entered into an agreement 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.

By two decisions dated July 30, 2010, ICSID recognized the liability of the Argentine State in the termination of water distribution and treatment concession contracts in Buenos Aires and Santa Fe. Following these two decisions, the arbitration tribunal will set the final amount of the award to be paid in compensation of the losses sustained in the coming months.

The expert's report is expected in 2012.

26.1.6 United Water – Lake DeForest

In March 2008, some of the local residents of the Hackensack River area in Rockland County (NY) filed a claim before the Supreme Court of the State of New York for a total of USD 66 million (later increased to USD 130 million) against United Water (SUEZ Environnement Group) owing to flooding caused by torrential rain.

Those residents point out the negligence of United Water in the maintenance of the Lake DeForest dam and reservoir adjoining the Lake DeForest reservoir which, following the torrential rain, allegedly ceased to function correctly preventing the draining-off of water into the Hackensack River on which it is built, ultimately resulting in the flooding of the residents' homes. As a result of the rainwater drainage system operated by United Water overflowing upstream of the dam, the residents, despite living in a flood-prone area, have filed a compensatory damages claim for USD 65 million and for punitive damages of the same amount against United Water for alleged negligence in the maintenance of the Lake DeForest dam and reservoir.

United Water does not consider itself responsible for the flooding or for the maintenance of the dam and reservoir and believes these allegations should be dismissed. United Water filed a motion to dismiss these claims in July 2009 on the ground that it was not obliged to operate the dam as a means of flood prevention. This motion was denied on August 27, 2009, and this rejection was confirmed on June 1, 2010. United Water has appealed this decision. A decision on the merits is expected towards the end of the first half of 2012.

The claim for punitive damages introduced by the residents against United Water was definitely dismissed on May 31, 2011.

26.1.7 Novergie

Novergie Centre Est (SUEZ Environnement Group) used to operate a household waste incineration plant in Gilly-sur-Isère near Albertville (in the Savoie region in France), which was built in 1984 and is owned by the semi-public corporation, SIMIGEDA (an intercommunal semi-public waste management company in the Albertville district). In 2001, high levels of dioxin were detected near the incineration plant and the Prefect of the Savoie region ordered the closure of the plant in October 2001.

Complaints and claims for damages were filed in March 2002 against, among others, the President of SIMIGEDA, the Prefect of the Savoie region and Novergie Centre Est for poisoning, endangering the lives of others, and non-intentional assault and battery, with respect to dioxin pollution allegedly caused by the incineration plant. In the first half of 2009, the French Court of Cassation upheld the decision of the examining chamber of the Lyon Court of Appeal rejecting the claim for damages (*constitution de partie civile*).

Novergie Centre Est was indicted on December 22, 2005 on counts of endangering the lives of others and breaching administrative regulations.

As part of these proceedings, investigations ordered by the court showed that there had been no increase in the number of cases of cancer among the neighboring populations.

On October 26, 2007, the judge in charge of investigating the case dismissed the charges against natural persons indicted for endangering the lives of others. However, the judge ordered that SIMIGEDA and Novergie Centre Est be sent for trial before the criminal court of Albertville for having operated the incinerator “without prior authorization, due to the expiration of the initial authorization as a result of significant changes in operating conditions”. On September 9, 2009, the examining chamber of the Chambéry Court of Appeal upheld the decision to dismiss charges of endangering the lives of others made against the Novergie employees.

Having noticed that those primarily responsible for the offenses in question would not be present at the criminal court hearing on September 28, 2010, Novergie Centre Est brought an action against unknown persons for contempt of court and fraudulently organizing insolvency.

The hearing before the criminal court was held on November 29, 2010. On May 23, 2011, the criminal court handed down a fine of €250,000 to Novergie Centre Est.

Novergie Centre Est has appealed this decision.

26.1.8 Société des Eaux du Nord

Negotiations have been initiated since 2008/2009 between Lille Métropole metropolitan district (Lille Métropole Communauté Urbaine - LMCU) and Société des Eaux du Nord (SEN), a subsidiary of Lyonnaise des Eaux France, within the five-yearly review of the drinking water distribution concession contract. In particular, these negotiations pertained to the inferences to be drawn from the addenda signed in 1996 and 1998 as regards SEN’s renewal obligations.

As LMCU and SEN failed to reach an agreement as to the provisions governing the review of the contract, at the end of 2009 they decided to refer the matter to the arbitration commission in accordance with the contract. The commission, chaired by Michel Camdessus, made recommendations.

On June 25, 2010, without following the Commission’s recommendations, the LMCU Community Council unilaterally approved the signature of an addendum to the contract which provides for the issuing of a demand for payment of an amount of €115 million to SEN corresponding to the immediate repayment of the unused portion of the outstanding provisions for renewal costs plus interest as estimated by LMCU.

Two appeals seeking annulment of the LMCU Community Council’s decision of June 25, 2010, as well as decisions adopted in implementation thereof, were submitted to the Administrative Court of Lille on September 6, 2010 by SEN, as well as by Lyonnaise des Eaux France in its capacity as a shareholder of SEN.

26.1.9 Melbourne – AquaSure

In 2009, following a call for tenders, the State of Victoria awarded a contract to AquaSure (21% owned by SUEZ Environnement) to finance, design, construct and operate a seawater desalination plant supplying water to the

Melbourne region for a 30-year period. AquaSure entrusted the plant's design and construction to a joint venture ("JV") between Thiess (65%), a subsidiary of the Leighton Group and Degrémont (35%), a subsidiary of SUEZ Environnement. The operation was entrusted to a joint venture between Degrémont (60%) and Thiess (40%). The targeted completion date for the construction of the plant was June 30, 2012. The construction work started in September 2009.

The project was delayed due to unfavorable weather and labor conditions. By the end of December 2011, 88% of the plant was complete, resulting in a delay of several months in delivery and production.

The JV considered that it was not fully responsible for the delay and its financial consequences and sought a deadline extension and financial compensation. Two claims were filed requesting (i) a deadline extension of 80 days until the end of October 2011 related to the cyclonic weather conditions and compensation for additional costs incurred and (ii) a deadline extension of 194 days related to the labor issues and for which compensation is currently being calculated.

On December 15, 2011, AquaSure and the JV reached a standstill, enabling the parties to enter into contractual negotiations until March 31, 2012.

26.1.10 Togo Électricité

In February 2006, the Togolese State took possession of all of the assets of Togo Électricité, without any indemnification. It instituted several proceedings, one of them being against Togo Électricité, a GDF SUEZ (Energy Services) company and then subsequently against GDF SUEZ, seeking an order for payment by the two companies of compensation of between FCFA 27 billion and FCFA 33 billion (between €41 million and €50 million) for breach of contract.

In March 2006, Togo Électricité instituted arbitration proceedings, which were joined by GDF SUEZ, before the ICSID against the Togolese State, following the adoption of governmental decrees which terminated the concession contract held by Togo Électricité since December 2000 for the management of Togo's public power supply service.

On August 10, 2010, the ICSID rendered its award ordering the Republic of Togo to pay Togo Électricité €60 million plus interest at a yearly rate of 6.589% as from 2006. The Congolese State brought an action seeking the annulment of the arbitration award. An ad hoc committee of the ICSID was set up to review the Togolese State's request. Its decision was rendered on September 6, 2011. The committee dismissed the application for the annulment of the award and confirmed the award rendered on August 10, 2010 in its entirety.

26.1.11 Fos Cavaou – Operation

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 building permit for the terminal was issued the same day by a second prefectural order. These two orders have been challenged in court.

Two actions for annulment of the building permit were filed with the Administrative Court of Marseille, one by the Fos-sur-Mer authorities and the other by the Syndicat d'agglomération nouvelle (SAN). These actions were dismissed by the Court on October 18, 2007. The Fos-sur-Mer municipality appealed this decision on December 20, 2007 but later withdrew from the proceedings on January 11, 2010.

The order authorizing the operation of the terminal 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.

By a judgment of June 29, 2009, the Administrative Court of Marseille canceled the prefectural order authorizing the operation of the Fos Cavaou terminal. Elengy, which represents the rights of GDF SUEZ in these proceedings and the Minister of Ecology, Energy, Sustainable Development and Sea, filed an appeal on July 9, 2009 and on September 28, 2009, respectively. By a judgment of October 8, 2011, the Administrative Court of Marseille confirmed the cancellation of the order authorizing the operation of December 15, 2003.

On October 6, 2009, the Prefect of the Bouches-du-Rhône department issued an order requiring Elengy to apply for an operating permit for the terminal by June 30, 2010 at the latest in order to comply with administrative regulations. The order enables the building work to be continued and the terminal to be partially operated, subject to specific regulations.

On January 19, 2010, ADPLGF filed an appeal with the Administrative Court of Marseille for the annulment of this prefectural order. ADPLGF withdrew its claim before this court on January 4, 2011.

On August 25, 2010, the Prefect of the Bouches-du-Rhône department issued a new order modifying the order of October 6, 2009 and allowing for the unrestricted temporary operation of the terminal pending the fulfillment of all administrative formalities.

In compliance with the order dated October 6, 2009, Elengy applied for an operating permit with the Prefect on June 30, 2010. The public inquiry provided for by law was held from June 1 to July 18, 2011. The commission of inquiry delivered a favorable opinion on August 25, 2011.

A request for an operating permit was presented to the Departmental Council for the Environment and Health and Technological Risks (*Comité départemental de l'environnement et des risques sanitaires et technologiques* – CODERST) on January 9, 2012.

26.1.12 Fos Cavaou - Construction

On January 17, 2012, Société du Terminal Méthanier de Fos Cavaou (STMFC), 72.4%-owned by Elengy and 27.6%-owned by Total, submitted a request for arbitration to the ICC International Court of Arbitration against a consortium consisting of three companies; SOFREGAZ, TECNIMONT SpA and SAIPEM SA (hereinafter STS).

The dispute relates to the construction of the LNG terminal belonging to STMFC to be used for LNG unloading, storage, regasification and injection in the gas transportation network.

The terminal was constructed by STS under a fixed lump-sum turnkey contract entered into on May 17, 2004, which included construction work and supplies. The deadline for the completion of the work was September 15, 2008, subject to late payment penalties.

The performance of the contract was marked by a series of difficulties. In view of the fact that STS refused to complete part of the works and delivered an incomplete terminal with an 18-month delay, STMFC contracted other companies to complete the construction of that part of the works in 2010.

STMFC instituted arbitration proceedings under the aegis of the ICC, seeking compensation for the losses sustained.

26.1.13 Compagnie du Vent

On November 27, 2007, Castelnou Energia (a subsidiary of Electrabel) acquired a 56.84% stake in Compagnie du Vent, with the original owner SOPER retaining a 43.16% stake. The founder of the company (and owner of SOPER), Jean-Michel Germa remained Chairman and Chief Executive Officer of Compagnie du Vent. In 2009, GDF SUEZ replaced Castelnou Energia as the majority owner and Compagnie du Vent was integrated into the Energy France business line.

On May 27, 2011, at the Shareholders' Meeting of Compagnie du Vent, the Chairman and Chief Executive Officer, Jean-Michel Germa was removed and replaced by a senior executive chosen by GDF SUEZ. Jean-Michel Germa has contested this decision calling into question the validity of the Shareholders' Meeting. However, by order of the President of the Commercial Court (*Tribunal de Commerce*) of Montpellier on June 8, 2011, Jean-Michel Germa is prohibited under penalty from using the title of Chairman and Chief Executive Officer of Compagnie du Vent and from entering the company's premises. Furthermore, on June 15, 2011, the President of the Commercial

Court of Montpellier rejected SOPER's request, confirming the order dated May 26, 2011 which allowed the Shareholders' Meeting to be held on May 27, 2011. SOPER and Jean-Michel Germa appealed both decisions. On October 13, 2011, the Court of Appeal of Montpellier overturned the order of June 15, 2011, by holding that the decisions taken by the Shareholders' Meeting of Compagnie du Vent on May 27, 2011 were invalid. Consequently, Jean-Michel Germa was reinstated as Chairman and Chief Executive Officer of Compagnie du Vent. Another Shareholders' Meeting was held on November 3, 2011 during which Jean-Michel Germa was removed and replaced by a senior executive chosen by GDF SUEZ.

Upon the request of GDF SUEZ, on July 13, 2011, the President of the Commercial Court of Montpellier acknowledged the abuse of minority rights by SOPER at the Shareholders' Meeting on July 1, 2010 by refusing to vote on the cooperation agreement between Compagnie du Vent and GDF SUEZ related to the Deux Côtes off-shore wind power project. He appointed a representative to represent SOPER at a subsequent Shareholders' Meeting on the same subject to vote in the company's name in accordance with the interests of Compagnie du Vent, without impinging on SOPER's interests. This Shareholders' Meeting was held on July 22, 2011 and the resolution was adopted. SOPER has however appealed the order of July 13, 2011. The Court of Appeal examined the case on July 27, 2011. On September 8, 2011, it upheld the lower court's decision and ordered SOPER to pay costs of €6,000. SOPER and Jean-Michel Germa appealed the decision before the French Court of Cassation.

On August 23, 2011, Compagnie du Vent summoned SOPER to appear before the Commercial Court of Montpellier seeking an order against it to pay compensation for non-material damage suffered by Compagnie du Vent, amounting to €500,000.

The removal of the Chairman and Chief Executive Officer has shown that there are significant strategic differences between the two shareholders in terms of wind power development, particularly in relation to the Deux Côtes project. These differences have led Jean-Michel Germa to threaten GDF SUEZ with a claim for compensation of approximately €489 million, which the Group considers to be unfounded.

26.1.14 Freeze of regulated natural gas prices in France as of October 1, 2011

The ministerial decree of September 29, 2011 relating to regulated prices for natural gas provided from GDF SUEZ distribution networks resulted in a freeze of regulated natural gas prices. GDF SUEZ considers that this decree does not comply with (i) the law according to which regulated prices must cover all costs, (ii) competitive market rules and (iii) the public service contract signed between the Company and the State. GDF SUEZ finds the decree to be contrary to the Company's and its competitors' interests as well as the State's financial and ownership interests. The price freeze represented a loss of approximately €300 million in the last quarter of 2011.

On September 22, 2011, the French Energy Regulatory Commission (CRE), which is the competent and independent authority in this field, delivered an unfavorable opinion regarding the ministerial decree.

As a result, on October 13, 2011 GDF SUEZ appealed the decree before the *Conseil d'État* (France's highest administrative court) on the ground of abuse of authority. The action seeks (i) the annulment of the decree on the ground of abuse of authority as it has not set price increases at the level calculated by the CRE which are necessary to cover GDF SUEZ average full costs and (ii) a court order requiring the relevant ministers to issue a decree setting price increases retroactively as of October 1, 2011, in compliance with Article L. 445-3 of the French Energy Code (*Code de l'énergie*), within two months, subject to a penalty of €100,000 per day of delay.

On November 28, 2011, the French national association of energy retail operators (*Association nationale des opérateurs détaillants en énergie* – ANODE) obtained the suspension of the decree of September 29, 2011 from the President of the *Conseil d'État*.

26.1.15 Claims by the Belgian tax authorities

The Belgian tax authorities' Special Tax Inspectorate is claiming €188 million from SUEZ-Tractebel, GDF SUEZ Group, concerning past investments in Kazakhstan. SUEZ-Tractebel has filed an appeal against this claim. As the Belgian tax authorities decision is still pending after 10 years, an appeal was lodged with the Brussels Court of First Instance in December 2009.

The Belgian tax authorities taxed the financial income generated in Luxembourg by the Luxembourg-based cash management branches of Electrabel and SUEZ-Tractebel. This financial income, which was already taxed in Luxembourg, is exempt of taxes in Belgium in accordance with the Belgium-Luxembourg Convention for the prevention of double taxation. The Special Tax Inspectorate refuses this exemption on the basis of an alleged abuse of rights. The tax assessed in Belgium amounts to €245 million for the period 2003 to 2007. The Group has challenged the Special Tax Inspectorate's decision before the Brussels Court of First Instance. Electrabel SA and SUEZ-Tractebel SA are expecting tax assessments in respect of 2008 bringing the amount of tax assessed to €285 million. An initial ruling on a peripheral question and not on the main issue, was handed down on May 25, 2011 in favor of Electrabel. In the meantime, this ruling resulted in a reduction in the amount of tax assessed, amounting to €48 million in 2005 to 2007.

26.1.16 Objection to a provision of Belgian tax law

On March 23, 2009, Electrabel (GDF SUEZ Group) filed an appeal with the Belgian Constitutional Court seeking the annulment of the December 22, 2008 framework act (*loi-programme*) provisions imposing a €250 million tax on nuclear power generators (including €222 million paid by Electrabel). The Constitutional Court rejected this claim by a decision dated March 30, 2010. The December 23, 2009 act has imposed the same tax in respect of 2009 and the December 29, 2010 act in respect of 2010. In compliance with this statute, the Group has paid €213 million for 2009 and €212 million for 2010. Pursuant to a Memorandum of Understanding signed on October 22, 2009 between the Belgium State and the Group, this tax should not have been renewed but should have been replaced by a contribution related to the extension and period over which certain power facilities are operated. On September 9, 2011, Electrabel brought an action to recover the amounts paid.

26.1.17 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 by SUEZ of a tax receivable in 2005 for an amount of €995 million. On July 7, 2009, they informed GDF SUEZ that they maintained their position, which was confirmed on December 7, 2011. GDF SUEZ is waiting for the tax assessment notice.

26.1.18 Claim by the Brazilian tax authorities

On December 30, 2010, Tractebel Energia received a tax assessment notice in the amount of BRL 322 million (€134 million) for the period 2005 to 2007. The Brazilian tax authorities mainly disallow deductions related to tax incentives (consideration for intangible assets), in particular assets relating to the Jacui project. Tractebel Energia has contested the tax assessment notice as it believes that the Brazilian tax authorities' arguments are not justified.

26.2 Competition and concentration

26.2.1 "Accès France" proceeding

On May 22, 2008, the European Commission announced its decision to initiate formal proceedings against Gaz de France for a suspected breach of EU rules pertaining to abuse of dominant position and restrictive business practices. The proceedings relate to a combination of long-term transport capacity reservation and a network of import agreements, as well as potential underinvestment in transport and import infrastructure capacity.

On June 22, 2009, the Commission sent GDF SUEZ, GRTgaz and Elengy a preliminary assessment in which it alleged that GDF SUEZ might have abused its dominant position in the gas sector by foreclosing access to gas import capacity in France. On June 24, 2009, GDF SUEZ, GRTgaz and Elengy offered commitments in response to the preliminary assessment, while expressing their disagreement with the conclusions it contained.

These commitments were submitted to a market test on July 9, 2009, following which the Commission informed GDF SUEZ, GRTgaz and Elengy of how third parties had responded. On October 21, 2009, GDF SUEZ, GRTgaz and Elengy filed amended commitments aimed at facilitating access to and competition on the French natural gas market. The Commission adopted on December 3, 2009 a decision that renders these commitments legally binding. This decision by the Commission put an end to the proceedings initiated in May 2008. GDF SUEZ, GRTgaz and Elengy are continuing to fulfill the commitments under the supervision of a trustee (Société Advolis) approved by the European Commission.

26.2.2 Megal

On June 11, 2008, Gaz de France received a statement of objections from the European Commission in which it voices its suspicions of concerted practice 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 and a hearing took place on October 14, 2008. On July 8, 2009, the Commission fined GDF SUEZ and E.ON €553 million each for agreeing not to compete against each other in their respective gas markets. GDF SUEZ has paid the fine. The Commission considered that these restrictive business practices, which ended in 2005, had begun in 1975 when the agreements relating to the Megal pipeline were signed and GDF SUEZ and E.ON had agreed not to supply gas transported via the Megal pipeline to customers in their respective markets.

GDF SUEZ brought an action for annulment before the General Court of the European Union on September 18, 2009. The appeal is pending. The written phase of the proceedings before the Court continued throughout 2010. The next step is the oral phase of the proceedings which will begin with a date being set for the hearing and any potential preparatory questions the Court may have.

The hearing before the General Court of the European Union was held on September 21, 2011. A judgment will be delivered at a later date.

26.2.3 Compagnie Nationale du Rhône

On June 10, 2009, the European Commission decided to impose a fine of €20 million on Electrabel for (i) having acquired control of Compagnie Nationale du Rhône (CNR) at the end of 2003, without its prior approval (ii) and for having carried out this control acquisition before its authorization by the European Commission. The decision was handed down further to a statement of objections sent by the Commission on December 17, 2008, to which Electrabel responded in its observations in reply filed on February 16, 2009. On August 20, 2009 Electrabel brought an action for annulment of the Commission's decision before the General Court of the European Union. The appeal is pending. The written phase of the proceedings before the Court continued throughout 2010. The hearing before the General Court of the European Union was held on November 30, 2011. A judgment will be delivered at a later date.

26.2.4 Long-term Power Purchase Agreements in Hungary

The European Commission handed down a decision on June 4, 2008, according to which the long-term Power Purchase Agreements entered into between power generators and the Hungarian State, which were in force at the time of Hungary's accession to the European Union, constituted illegal State aid, incompatible with the Treaty on the Functioning of the European Union. It asked the Hungarian State to review these contracts, recover the related State aid from the power generators and, when necessary, to indemnify the parties to the agreements *via* a compensation mechanism for stranded costs. The Group is directly involved as its subsidiary Dunamenti is a party to a long-term Power Purchase Agreement entered into with MVM, Hungary's state-owned power company, on October 10, 1995. Following the Commission's decision, the Hungarian government passed a law providing for the termination of the Power Purchase Agreements with effect from December 31, 2008 and the recovery of the related State aid. Dunamenti brought an action before the General Court of the European Union on April 28, 2009 for annulment of the Commission's decision. The proceedings are still ongoing. The Parties filed their statements (the European Commission filed a statement of defense on October 19, 2009, and GDF SUEZ filed a reply on December 4, 2009, to which the Commission replied with a rejoinder on February 16, 2010). The next step is the oral phase of the proceedings which will begin with a date being set for the hearing and any potential preparatory questions the Court may have.

On April 27, 2010, the European Commission rendered a decision approving the State aid payable by Dunamenti and the amount of its stranded costs and allowing Dunamenti to offset the State aid deemed illegal and the stranded costs. The compensation mechanism enabled Dunamenti to escape from the obligation to pay back the State aid deemed illegal. In 2015, at the initial expiration date of Dunamenti's long-term Power Purchase

Agreement, Hungary will recalculate the amount of stranded costs, which could result in Dunamenti having to reimburse aid at that time. (Refer also to Note 26.1.1 “Legal proceedings/Electrabel – Hungarian State”).

26.2.5 Inquiry on the term of power supply contracts in Belgium

In July 2007, the European Commission started an investigation into power supply contracts entered into by the Group with industrial customers in Belgium. The investigation took place and Electrabel, GDF SUEZ Group, cooperated with the Directorate-General for Competition. The last questionnaire received from the European Commission dates back to July 31, 2009. It was returned on November 9, 2009. In view of the results of its in-depth inquiry, on January 28, 2011 the European Commission decided to close the proceedings.

26.2.6 Inquiry into the Belgian electricity wholesale market

In September 2009, June 2010 and October 2011, the Belgian competition authority (*Autorité belge de concurrence*) organized raids on several companies operating in Belgium’s electricity wholesale market, including Electrabel, GDF SUEZ Group. The inquiry, to which Electrabel is providing its support, is still ongoing.

26.2.7 Inquiry into the water distribution and treatment sector in France

In April 2010, the European Commission conducted inspections in the offices of different French companies working in the water and water treatment sector with respect to their possible involvement in practices which fail to comply with Articles 101 and 102 of the Treaty on the Functioning of the European Union. Inspections were conducted within SUEZ Environnement Company and Lyonnaise des Eaux France.

A door seal was accidentally dislodged during the inspection in Lyonnaise des Eaux France’s offices.

On May 21, 2010, in accordance with chapter VI of EU Regulation No. 1/2003, the Commission decided to launch proceedings against SUEZ Environnement Company with regard to this incident. Within the framework of this proceeding, SUEZ Environnement Company submitted information relating to this incident to the Commission. On October 20, 2010, the Commission sent a statement of objections on this issue to SUEZ Environnement Company and Lyonnaise des Eaux France. SUEZ Environnement Company and Lyonnaise des Eaux France replied to the statement of objections on December 8, 2010.

The European Commission set the fine for the breach of a seal at €8 million and notified SUEZ Environnement Company and Lyonnaise des Eaux France on May 24, 2011.

On January 13, 2012, the European Commission notified SUEZ Environnement Company and Lyonnaise des Eaux of its decision to initiate a formal investigation procedure to determine whether the three companies, SAUR, SUEZ Environnement Company, VEOLIA and the French water companies trade association (*Féderation professionnelle des entreprises de l’eau*) were engaged in anti-trust practices affecting the markets of delegated management services in relation to water and water treatment in France.

NOTE 27 SUBSEQUENT EVENTS

Reorganization of Group operating structure: creation of the Energy Europe and Energy International business lines

On January 1, 2012, the Group reorganized its Energy businesses through the creation of two business lines: Energy Europe and Energy International. The scope of the Energy International business line corresponds to the International Power group (see Note 3.1, “Operating segments”).

Energy Europe carries out activities involving energy management, distribution of natural gas, electricity production and energy sales for all segments in continental Europe. It operates all of the Group’s physical and commercial assets in continental Europe in the fields of gas (excluding infrastructure managed by the Infrastructures business line) and electricity (excluding certain assets traditionally operated by International Power in Italy, Germany, Spain and Portugal). Up until December 31, 2011, the activities grouped within the new Energy Europe business line were conducted by the following operating segments, as described in Note 3, “Segment information”:

the Energy France business line; the Energy Benelux & Germany and the Energy Europe business areas (Energy Europe & International business line); and the "gas supply" and "key account sales" activities within the Global Gas & LNG business line.

The purpose of this reorganization is to adapt to the Group's European markets within the context of:

- increasingly consolidated electricity and gas markets in Europe, in physical (expanding inter-country networks), economical (liberalization of electricity markets), and regulatory terms;
- ongoing convergence between electricity and gas, with gas playing an increasingly prominent role in electricity production.

Following the transfer of the "gas supply" and "key account sales" activities to Energy Europe, Global Gas LNG now comprises activities relating to the exploration and production of oil and gas, natural gas liquefaction and transportation in the form of LNG.

Accordingly, since January 1, 2012, the Group has been reorganized around the following six business lines: Energy Europe, Energy International, Global Gas & LNG, Infrastructures, Energy Services and Environment.

NOTE 28 LIST OF THE MAIN CONSOLIDATED COMPANIES AT DECEMBER 31, 2011

The table below is provided for indicative purposes only and only includes the main fully and proportionately consolidated companies in the GDF SUEZ Group. The aim is to present the list of entities which comprise 80% of the following indicators: revenues, EBITDA and net debt.

The following abbreviations are used to indicate the consolidation method applied in each case:

- FC: Full consolidation (subsidiaries);
- PC: Proportionate consolidation (joint ventures);
- EM: Equity method (associates);
- NC: Not consolidated.

Entities marked with an asterisk (*) form part of the legal entity GDF SUEZ SA.

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**
Energy France (BEF)							
COMPAGNIE NATIONALE DU RHONE (CNR)	2, rue André Bonin - 69004 Lyon - France	49.9	49.9	49.9	49.9	FC	FC
GDF SUEZ SA – BEF	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ Thermique France	2, Place Samuel de Champlain - Faubourg de l'Arche - 92930 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
SAVELYS group	5, rue François 1er - 75418 Paris - France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Energy Benelux & Germany (BEEI)							
ELECTRABEL NEDERLAND NV	Grote Voort 291, 8041 BL Zwolle - Postbus 10087, 8000 GB Zwolle - Netherlands	100.0	100.0	100.0	100.0	FC	FC
ELECTRABEL	Boulevard Simon Bolivar - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
ELECTRABEL CUSTOMER SOLUTIONS	Boulevard du Regent, 8 - 1000 Brussels - Belgium	95.8	95.8	95.8	95.8	FC	FC
SYNATOM	Avenue Ariane 7 - 1200 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Energy Europe (BBEI)							
DUNAMENTI	Erömü ut 2 - 2442 Szazhalombatta - Hungary	74.8	74.8	74.8	74.8	FC	FC
GDF SUEZ ENERGIA POLSKA SA	Zawada 26 - 28-230 Polaniec - Poland	100.0	100.0	100.0	100.0	FC	FC
ROSIGNANO ENERGIA SPA	Via Piave No. 6 - Rosignano Maritimo - Italy	99.5	99.5	99.5	99.5	FC	FC
GDF SUEZ PRODUZIONE	Lungotevere Arnaldo da Brescia, 12 - 00196 Rome - Italy	100.0	40.6	100.0	40.6	FC	PC
TIRRENO POWER SPA	47, Via Barberini - 00187 Rome - Italy	50.0	35.0	50.0	35.0	PC	PC
SC GDF SUEZ ENERGY ROMÂNIA SA	Bld Marasesti, 4-6, sector 4 - Bucharest - Romania	51.0	40.8	51.0	51.0	FC	FC
GSEM	Pulcz u. 44 - H 6724 - Szeged - Hungary	99.9	99.7	99.9	99.7	FC	FC
SLOVENSKY PLYNARENSKY PRIEMYSEL (SPP)	Mlynské Nivy 44/b - 825 11 - Bratislava 26 - Slovakia	24.5	24.5	24.5	24.5	PC	PC
AES ENERGIA CARTAGENA S.R.L.	Ctra Nacional 343, P.K. 10 - El Fangal, Valle de Escombreras - 30350 Cartagena - Spain	26.0	26.0	26.0	26.0	FC	FC
GDF SUEZ ENERGIA ITALIA SPA	Lungotevere Arnaldo da Brescia, 12 - 00196 Rome - Italy	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ ENERGIE	Via Spadolini, 7 - 20141 Milan - Italy	100.0	100.0	100.0	100.0	FC	FC

International Power (BEEI)

On February 3, 2011, the Group acquired International Power following the contribution of its international businesses. Since this date, GDF SUEZ has held a 69.78% interest in International Power.

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010
North America (BEEI)							
GDF SUEZ ENERGY GENERATION NORTH AMERICA GROUP	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	69.8	100.0	100.0	100.0	FC	FC
GDF SUEZ GAS NA LLC GROUP	One Liberty Square, Boston, MA 02109 - United States	69.8	100.0	100.0	100.0	FC	FC
GDF SUEZ ENERGY MARKETING NORTH AMERICA GROUP	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	69.8	100.0	100.0	100.0	FC	FC
GDF SUEZ ENERGY RESOURCES NORTH AMERICA GROUP	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	69.8	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010

Latin America (BEEI)

In Brazil, GDF SUEZ Group holds 50.1% of the voting rights of Energia Sustentavel Do Brasil (EBSR), a company created to develop the Jirau project. Considering the contractual arrangements in place, a large number of strategic management decisions are subject to a 75% majority vote. EBSR therefore qualifies as being a jointly controlled entity. Accordingly, and even though it holds more than 50% of the voting rights, Energia Sustentavel do Brasil has been proportionately consolidated by the Group.

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
E-CL SA GROUP	Jr. César López Rojas # 201 Urb. Maranga San Miguel - Chile	36.8	52.4	52.8	52.4	FC	FC
TRACTEBEL ENERGIA GROUP	Rua Paschoal Apóstolo Pítsica, 5064, Agronômica Florianopolis, Santa Catarina - Brazil	48.0	68.7	68.7	68.7	FC	FC
ENERSUR	Av. República de Panamá 3490, San Isidro, Lima 27 - Peru	43.1	61.7	61.7	61.7	FC	FC
ENERGIA SUSTENTAVEL DO BRASIL SA	Avenida Almirante Barroso, No. 52, sala 2802, CEP 20031-000 Rio de Janeiro - Brazil	35.0	50.1	50.1	50.1	PC	PC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010
Asia (BEEI)							
GLOW ENERGY PUBLIC CO LTD	195 Empire Tower, 38th Floor - Park Wing, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 - Thailand	48.2	69.1	69.1	69.1	FC	FC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
GHECO - ONE COMPANY LTD	11, I-5 Road, Tambon Map Ta Phut, Muang District. Rayong Province 21150. Thailand	31.3	44.9	65.0	65.0	FC	FC
SENOKO POWER LIMITED GROUP	111 Somerset Road - #05-06, Tripleone Somerset Building - 238164 Singapore	20.9	30.0	30.0	30.0	PC	PC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Europe (BEEI)							
GDF SUEZ ENERGY UK RETAIL	1 City Walk - LS11 9DX - Leeds - United Kingdom	69.8	100.0	100.0	100.0	FC	FC
FHH (Guernsey) LTD	Glategney Court, PO Box 140 - Glategney Esplanade, GY13HQ - Guernsey	52.3	0.0	100.0	0.0	FC	NC
SALTEND	Senator House - 85 Queen Victoria Street - London - United Kingdom	52.3	0.0	100.0	0.0	FC	NC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Middle East, Turkey and Africa (BEEI)							
BAYMINA ENERJI AS	Ankara Dogal Gaz Santrali, Ankara Eskisehir Yolu 40.Km, Maliöy Mevkii, 06900 Polatki/Ankara - Turkey	66.3	95.0	95.0	95.0	FC	FC
HIDD POWER COMPANY (1)	Bldg 303, Road 13 - Area 115 - HIDD Bahrain	48.9	30.0	100.0	30.0	FC	EM

(1) Hidd Power Company is classified as “Assets held for sale” as at December 31, 2011.

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Australia (BEEI)							
HAZELWOOD POWER PARTNERSHIP	PO Box 195, Brodribb Road - Morwell Victoria 3840 - Australia	64.1	0.0	91.8	0.0	FC	NC
LOY YANG B CONSOLIDATED	Level 37 - Rialto North Tower - 525 Collins Street - Melbourne Vic 3000 - Australia	48.9	0.0	100.0	0.0	FC	NC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Corporate (BEEI)							
INTERNATIONAL POWER PLC (IPR)	Senator House, 85 Queen Victoria Street - London - United Kingdom	69.8	0.0	69.8	0.0	FC	NC
INTERNATIONAL POWER CONSOLIDATED HOLDINGS LIMITED	Senator House, 85 Queen Victoria Street - London - United Kingdom	69.8	0.0	100.0	0.0	FC	NC
SUEZ TRACTEBEL	Place du Trône, 1 - 1000 Brussels - Belgium	69.8	0.0	100.0	0.0	FC	NC
INTERNATIONAL POWER FINANCE (JERSEY) III LIMITED	47 Esplanade, St Helier, Jersey Channel Islands JE1 OBD, Jersey	69.8	0.0	100.0	0.0	FC	NC
INTERNATIONAL POWER AUSTRALIA FINANCE	Senator House, 85 Queen Victoria Street - London - EC4V 4DP - United Kingdom	69.8	0.0	100.0	0.0	FC	NC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Global GAS & LNG (B3G)							
E.F. OIL AND GAS LIMITED	33 Cavendish Square - W1G OPW - London - United Kingdom	0.0	22.5	0.0	22.5	NC	PC
GDF SUEZ E&P INTERNATIONAL	1, Place Samuel de Champlain - 92400 Courbevoie - France	70.0	100.0	70.0	100.0	FC	FC
GDF SUEZ E&P UK LTD	60, Gray Inn Road - WC1X 8LU - London - United Kingdom	70.0	100.0	100.0	100.0	FC	FC
GDF SUEZ E&P NORGE AS	Forusbeen 78 - Postboks 242 - 4066 Stavanger - Norway	70.0	100.0	100.0	100.0	FC	FC
GDF PRODUCTION NEDERLAND B.V.	Einsteinlaan 10 - 2719 EP Zoetermeer - Netherlands	70.0	100.0	100.0	100.0	FC	FC
GDF SUEZ E&P DEUTSCHLAND GMBH	Waldstrasse 39 - 49808 Linden - Germany	70.0	100.0	100.0	100.0	FC	FC
GDF SUEZ SA - B3G*	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF INTERNATIONAL TRADING	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GAZ DE FRANCE ENERGY DEUTSCHLAND GMBH	Friedrichstrasse 60 - 10117 Berlin - Germany	100.0	100.0	100.0	100.0	FC	FC

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**
GDF SUEZ GAS SUPPLY & SALES NEDERLAND BV	Einsteinlaan 10 - 2719 EP Zoetermeer - Netherlands	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ GLOBAL LNG SUPPLY SA	65, Avenue de la Gare - L-1611 Luxembourg	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ GAS & SUPPLY S.P.A.	Via Spadolini, 7 - 20141 Milan - Italy	100.0	100.0	100.0	100.0	FC	FC

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**
Infrastructures							
STORENGY	Immeuble Djinn - 12 rue Raoul Nordling - 92270 Bois Colombes - France	100.0	100.0	100.0	100.0	FC	FC
ELENGY	Immeuble EOLE - 11 avenue Michel Ricard - 92270 Bois Colombes - France	100.0	100.0	100.0	100.0	FC	FC
GrDF	6, rue Condorcet - 75009 Paris - France	100.0	100.0	100.0	100.0	FC	FC
GRTGAZ	Immeuble BORA - 6 rue Raoul Nordling - 92270 Bois Colombes - France	75.0	100.0	75.0	100.0	FC	FC

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**	**Dec. 2011**	**Dec. 2010**
Energy Services (BSE)							
GSES SA	1, place des Degrés - 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
AXIMA SEITHA	46, Boulevard de la Prairie du Duc - 44000 Nantes - France	100.0	100.0	100.0	100.0	FC	FC
COFELY AG	Thurgauerstrasse 56 - Postfach - 8050 Zurich - Switzerland	100.0	100.0	100.0	100.0	FC	FC
CPCU	185, rue de Bercy - 75012 Paris - France	64.4	64.4	64.4	64.4	FC	FC
FABRICOM SA	254, Rue de Gatti de Gamond - 1180 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
ENDEL GROUP	1, place des Degrés - 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
COFELY NEDERLAND NV	Kosterijland 20 - 3981 AJ Bunnik - Netherlands	100.0	100.0	100.0	100.0	FC	FC
INEO	1, place des Degrés - 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
SUEZ Environnement							

GDF SUEZ holds 35.68% of SUEZ Environnement Company and exercises exclusive control through a shareholders' agreement. Accordingly, SUEZ Environnement Company is fully consolidated.

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
SUEZ Environnement Company	Tour CB21 - 16 place de l'Iris - 92040 Paris La Défense Cedex - France	35.9	35.6	35.7	35.6	FC	FC
LYONNAISE DES EAUX FRANCE GROUP	Tour CB21 - 16 place de l'Iris - 92040 Paris La Défense Cedex - France	35.9	35.6	100.0	100.0	FC	FC
DEGREMONT GROUP	183, avenue du 18 juin 1940 - 92500 Rueil Malmaison - France	35.9	35.6	100.0	100.0	FC	FC
HISUSA	Torre Agbar - Avenida Diagonal 211 - 08018 Barcelona - Spain	27.2	23.9	75.7	67.1	FC	PC
AGBAR GROUP	Torre Agbar - Avenida Diagonal 211 - 08018 Barcelona - Spain	27.0	26.7	99.5	99.0	FC	PC
SITA HOLDINGS UK LTD GROUP	Grenfell Road - Maidenhead - Berkshire SL6 1ES - United Kingdom	35.9	35.6	100.0	100.0	FC	FC
SITA DEUTSCHLAND GMBH GROUP	Industriestrasse 161 D-50999 - Cologne - Germany	35.9	35.6	100.0	100.0	FC	FC
SITA NEDERLAND BV GROUP	Mr E.N. van Kleffensstraat 6 - Postbis 7009, NL - 6801 HA Amhem - Netherlands	35.9	35.6	100.0	100.0	FC	FC
SITA FRANCE GROUP	Tour CB21 - 16 place de l'Iris - 92040 Paris La Défense Cedex - France	35.9	35.5	99.9	99.9	FC	FC
LYDEC	20, boulevard Rachidi - Casablanca – Morocco	18.3	18.1	51.0	51.0	FC	FC
UNITED WATER GROUP	200 Old Hook Road - Harrington Park - New Jersey - United States	35.9	35.6	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation method Dec. 2011	Consolidation method Dec. 2010
Other							
GDF SUEZ SA*	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ BELGIUM	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
GIE - GDF SUEZ ALLIANCE	1, place Samuel de Champlain - 92930 Paris La Défense -	100.0	100.0	100.0	100.0	FC	FC

		% interest		% control		Consolidation method	
Company name	Corporate headquarters	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010
	France						
GDF SUEZ Finance SA	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ CC	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
GENFINA	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
CEF LUX	65, Avenue de la Gare - L-1611 Luxembourg	100.0	0.0	100.0	0.0	FC	FC

NOTE 29 FEES PAID TO STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

The GDF SUEZ Group's Statutory Auditors were Deloitte, Ernst & Young, and Mazars. In accordance with French decree No. 2008-1487, fees paid to the Statutory Auditors and the members of their networks by the Group are disclosed in the table below.

	Ernst & Young				Deloitte				Mazars			
	Amount		%		Amount		%		Amount		%	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(in millions of euros)											
Audit												
Statutory audit, attest engagements and review of consolidated and parent company financial statements (1)												
• GDF SUEZ SA	2.4	3.0	12.1%	14.5%	1.6	5.1	8.4%	24.3%	1.4	1.6	18.4%	20.8%
• Fully- and proportionately-consolidated subsidiaries	13.5	14.3	69.0%	69.8%	14.5	13.6	74.4%	65.1%	5.5	5.3	73.1%	67.5%
Other audit-related procedures and services												
• GDF SUEZ SA	0.7	0.4	3.5%	2.0%	0.3	0.0	1.7%	0.0%	0.3	0.2	4.0%	2.1%
• Fully- and proportionately-consolidated subsidiaries	2.0	2.1	10.3%	10.3%	0.7	1.5	3.4%	7.0%	0.1	0.7	1.5%	9.1%
Sub-total	**18.6**	**19.8**	**94.9%**	**96.6%**	**17.2**	**20.1**	**87.9%**	**96.4%**	**7.3**	**7.8**	**97.0%**	**99.4%**
Other services												
• Tax	0.9	0.6	4.5%	3.1%	1.4	0.5	7.2%	2.6%	0.0	0.0	0.5%	0.4%
• Other	0.1	0.1	0.6%	0.3%	1.0	0.2	4.9%	1.0%	0.2	0.0	2.6%	0.2%
Sub-total	**1.0**	**0.7**	**5.1%**	**3.4%**	**2.4**	**0.7**	**12.1%**	**3.6%**	**0.2**	**0.0**	**3.0%**	**0.6%**
Total (2)	**19.6**	**20.5**	**100%**	**100%**	**19.5**	**20.9**	**100%**	**100%**	**7.5**	**7.8**	**100%**	**100%**

(1) Fees incurred in 2011 in respect of proportionately consolidated entities, essentially as a result of statutory audit engagements, amounted to €0.23 million for Deloitte (€0.18 million in 2010), €0.34 million for Ernst & Young (€0.38 million in 2010) and €0.07 million for Mazars (€0.07 million in 2010).

(2) Fees paid to audit firms other than the Group's Statutory Auditors amounted to €4.5 million in 2011 (€3.6 million in 2010).

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the GDF SUEZ management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your shareholder's general meetings, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of GDF SUEZ;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes performing procedures, using sample testing techniques or other selection methods, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2011 and of the results of its operations for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

II. JUSTIFICATION OF ASSESSMENTS

The accounting estimates have been prepared in a context of high volatility of the markets and of financial crisis in the euro zone whose consequences make it difficult to forecast economical mid-term perspectives. It is in this context, described in note 1.4 to the consolidated financial statements, and in accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, that we have made our own assessments and we bring to your attention the following matters:

Accounting estimates

As disclosed in note 1.4 to the consolidated financial statements, the GDF SUEZ Group is required to make estimates and assumptions in order to prepare its consolidated financial statements. These significant accounting estimates relate to the measurement of the fair value of assets acquired and liabilities assumed in connection within a business combination, and the measurement of goodwill, property, plant and equipment and intangible assets, the measurement of provisions, either provisions for back-end nuclear cycle, provisions for dismantling nuclear facilities or other provisions, financial derivative instruments, un-metered revenues (as in “gas in the meter”) and the assessment of the tax loss carry-forwards recognized as deferred tax asset. Note 1.4 to the consolidated financial statements also specifies that the future results of the related transactions may differ from these estimates.

- Regarding the measurement of the fair value of assets acquired and liabilities assumed in connection within a business combination, our procedures consisted in assessing the methodologies and assumptions used to measure the related assets and liabilities and to verify that note 2 to the consolidated financial statements provides appropriate disclosure.

- Regarding goodwill as well as property, plant and equipment and intangible assets, we have examined the methods used to perform impairment tests, the data and assumptions used as well as the procedure for approving these estimates by management. We have reviewed the calculations made by the Group and verified that notes 5 and 9 to the consolidated financial statements provide appropriate disclosure.

- Regarding provisions for back-end nuclear cycle and provisions for dismantling of nuclear facilities, we have reviewed the bases on which these provisions have been recorded and verified that notes 1.4.1.3 and 17 to the consolidated financial statements provide appropriate disclosures, notably the main assumptions, such as the scenario retained for managing radioactive fuel, costs assumptions, the timetable of operations and the discount rate.

- Regarding other provisions, in particular, provisions for dismantling gas infrastructures, provisions for litigation, and provisions for retirement and other employee benefits, we have assessed the bases on which these provisions have been recorded and notably the timetable for the end of gas operations regarding the gas infrastructure businesses in France, and verified that notes 5, 18 and 26 to the consolidated financial statements provide appropriate disclosure.

- The Group uses internal models representative of market practices for the valuation of financial derivative instruments that are not listed on active markets. Our work consisted in examining the system for monitoring these models and assessing the data and assumptions used. We have also verified that notes 14 and 15 to the consolidated financial statements provide appropriate disclosure.

- Regarding electricity and gas sales to customers segments whose energy consumption is metered during the accounting period, the Group estimates revenue on the bases of estimations of consumption in line with the volume of energy allocated by the grid managers on the same period and estimations of average selling prices. Our work consisted in assessing the methods and assumptions used to calculate these estimates and verifying that note 1.4.1.6 to the consolidated financial statements provides appropriate disclosure.

- Concerning the tax loss carry-forwards recognized as deferred tax assets, our work consisted in verifying that the recognition criteria were satisfied and assessing the assumptions underlying the forecasts of taxable profits and the relating consumptions of tax loss carry-forwards. We have also verified that note 7 to the consolidated financial statements provides appropriate disclosure.

Accounting policies and methods

We have examined the appropriateness of the accounting treatments adopted by the GDF SUEZ Group, in particular, in respect of:

- the practical applications of the provisions of IAS 39 relating to the type of contracts considered to be part of “normal activity”, areas that are not the subject of specific provisions under IFRS, as adopted in the European Union,

- the accounting treatment applied to concession contracts,
- the classification of arrangements which contains a lease,
- the recognition of acquisitions of non-controlling interests prior to January 1, 2010.

We verified that note 1 to the consolidated financial statements provides appropriate disclosure in this respect.

Restatement of the comparative information

The note 1.2 to the financial consolidated statements presents the impact of the correction of the error in the computation of the "gas in the meter" receivable and the restatement of comparative information relating to the period ended as of December 31, 2010 in accordance with IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors". We have examined elements relating to this restatement and verified the appropriateness of the information given on this matter.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information relating to the Group presented in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, March 6, 2012

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG et Autres	MAZARS
Véronique Laurent Pascal Pincemin	Pascal Macioce Charles-Emmanuel Chosson	Isabelle Sapet Thierry Blanchetier

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

Statements of Financial Position

	Notes	As of December 31, 2010	As of December 31, 2009
		(in millions of euros)	
Assets			
Non-current assets			
Intangible assets, net	10	12,780	11,420
Goodwill	9	27,567	27,989
Property, plant and equipment, net	11	78,703	69,665
Available-for-sale securities	14	3,252	3,563
Loans and receivables at amortized cost	14	2,794	2,426
Derivative instruments	14	2,532	1,927
Investments in associates	12	1,980	2,176
Other non-current assets		1,440	1,696
Deferred tax assets	7	1,669	1,419
Total non-current assets		**132,717**	**122,280**
Current assets			
Loans and receivables at amortized cost	14	1,032	947
Derivative instruments	14	5,739	7,405
Trade and other receivables, net	14	21,334	19,748
Inventories		3,870	3,947
Other current assets		6,957	5,094
Financial assets at fair value through income	14	1,713	1,680
Cash and cash equivalents	14	11,296	10,324
Total current assets		**51,940**	**49,145**
Total assets		**184,657**	**171,425**

	Notes	As of December 31, 2010	As of December 31, 2009
		(in millions of euros)	
Liabilities			
Shareholders' equity		62,205	60,285
Non-controlling interests		8,513	5,241
Total equity	16	**70,717**	**65,527**
Non-current liabilities			
Provisions	17	12,989	12,790
Long-term borrowings	14	38,179	32,155
Derivative instruments	14	2,104	1,792
Other financial liabilities	14	780	911
Other non-current liabilities		2,342	2,489
Deferred tax liabilities	7	12,437	11,856
Total non-current liabilities		**68,830**	**61,993**
Current liabilities			
Provisions	17	1,480	1,263
Short-term borrowings	14	9,059	10,117
Derivative instruments	14	5,738	7,170
Trade and other payables	14	14,835	12,887

	Notes	As of December 31, 2010	2009
		(in millions of euros)	
Other current liabilities		13,997	12,469
Total current liabilities		**45,109**	**43,905**
Total equity and liabilities		**184,657**	**171,425**

NB: Amounts in tables are expressed in millions of euros. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals and changes.

Advances and downpayments received, and certain other accounts that were previously presented under "Trade and other payables", have been reclassified to "Other current liabilities". In order to reflect this change in presentation, comparative data for 2009 have been restated.

Income Statements

	Notes	As of December 31, 2010	2009
		(in millions of euros)	
Revenues		84,478	79,908
Purchases		(44,672)	(41,406)
Personnel costs		(11,755)	(11,365)
Depreciation, amortization and provisions		(5,899)	(5,183)
Other operating income and expenses, net		(13,356)	(13,607)
Current operating income	4	**8,795**	**8,347**
Mark-to-market on commodity contracts other than trading instruments		(106)	(323)
Impairment of property, plant and equipment, intangible assets and financial assets		(1,468)	(472)
Restructuring costs		(206)	(179)
Changes in scope of consolidation		1,185	367
Other non-recurring items		1,297	434
Income from operating activities	5	**9,497**	**8,174**
Financial expenses		(2,810)	(2,638)
Financial income		589	1,010
Net financial loss	6	**(2,222)**	**(1,628)**
Income tax expense	7	(1,913)	(1,719)
Share in net income of associates	12	264	403
Net income		**5,626**	**5,230**
Net income Group share		**4,616**	**4,477**
Non-controlling interests		1,010	753
Earnings per share (euros)	8	**2.11**	**2.05**
Diluted earnings per share (euros)	8	2.10	2.03

Statements of Comprehensive Income

	Notes	As of December 31, 2010	2010 Group share	2010 Non-controlling interests	2009	2009 Group share	2009 Non-controlling interests
		(in millions of euros)					
Net income		**5,626**	**4,616**	**1,010**	**5,230**	**4,477**	**753**
Available-for-sale financial assets	14	(126)	(119)	(7)	(23)	6	(30)
Net investment hedges		(106)	(63)	(43)	48	44	5
Cash flow hedges (excl. commodity instruments)	15	(16)	11	(27)	108	58	50
Commodity cash flow hedges	15	457	445	12	925	899	26
Actuarial gains and losses		(500)	(479)	(21)	168	151	17
Translation adjustments		1,147	877	270	497	358	139
Deferred taxes	7	21	4	16	(377)	(364)	(13)
Share in other comprehensive income (expense) of associates		32	35	(3)	69	75	(6)
Other comprehensive income		**909**	**710**	**198**	**1,416**	**1,228**	**188**
Total comprehensive income		**6,535**	**5,326**	**1,208**	**6,646**	**5,705**	**941**
Group share		5,326			5,705		
Non-controlling interests		1,208			941		

Statements of Changes in Equity

	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves(1)	Fair value adjustments and other	Cumulative translation adjustments	Treasury stock	Shareholders' equity	Non-controlling interests	Total equity
					(in millions of euros)					
Equity at December 31, 2008	**2,193,643,820**	**2,194**	**29,258**	**28,883**	**(172)**	**(673)**	**(1,741)**	**57,748**	**5,071**	**62,818**
Net income	–	–	–	4,477	–	–	–	4,477	753	5,230
Other comprehensive income	–	–	–	114	756	358	–	1,228	188	1,416
Total comprehensive income				**4,591**	**756**	**358**	**0**	**5,705**	**941**	**6,646**
Employee share issues and share-based payment	1,934,429	2	30	206	–	–	–	239	–	239
Stock dividends paid	65,398,018	65	1,311	(1,377)	–	–	–	(0)	–	(0)
Cash dividends paid	–	–		(3,401)	–	–	–	(3,401)	(627)	(4,028)
Acquisitions/disposals of treasury stock	–	–		(97)	–	–	97	(0)	–	(0)
Other changes	–	–	(10)	5	40	(40)		(5)	(143)	(149)
Equity at December 31, 2009	**2,260,976,267**	**2,261**	**30,590**	**28,810**	**623**	**(355)**	**(1,644)**	**60,285**	**5,241**	**65,527**

(1) In accordance with IFRS, actuarial gains and losses are recorded under "Consolidated reserves".

The statement of changes in equity at December 31, 2009 has been adjusted in order to present comparable data.

	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves(1)	Fair value adjustments and other	Cumulative translation adjustments	Treasury stock	Shareholders' equity	Non-controlling interests	Total equity
					(in millions of euros)					
Equity at December 31, 2009	**2,260,976,267**	**2,261**	**30,590**	**28,810**	**623**	**(355)**	**(1,644)**	**60,285**	**5,241**	**65,527**
Net income	–	–	–	4,616	–	–	–	4,616	1,010	5,626
Other comprehensive income	–	–	–	(344)	177	877	–	710	198	909
Total comprehensive income				**4,272**	**177**	**877**		**5,326**	**1,208**	**6,535**
Employee share issues and share-based payment	26,217,490	26	471	120	–	–	–	617	–	617
Cash dividends paid	–	–	–	(3,330)	–	–	–	(3,330)	(581)	(3,911)
Acquisitions/disposals of treasury stock	–	–	–	(55)	–	–	(436)	(491)	–	(491)
Transactions between owners	–	–	–	(190)	–	–	–	(190)	(21)	(211)
Business combinations	–	–	–	–	–	–	–	–	1,658	1,658
Issuance of deeply-subordinated notes	–	–	–	–	–	–		–	745	745
Share cancellations	(36,898,000)	(37)	(1,378)	–	–	–	1,415	–	–	–
Other changes	–	–	–	(12)	–	–	–	(12)	261	249
Equity at December 31, 2010	**2,250,295,757**	**2,250**	**29,682**	**29,614**	**800**	**522**	**(665)**	**62,205**	**8,513**	**70,717**

(1) In accordance with IFRS, actuarial gains and losses are recorded under "Consolidated reserves".

The statement of changes in equity at December 31, 2009 has been adjusted in order to present comparable data.

Statements of Cash Flows

	As of December 31,	
	2010	**2009**
	(in millions of euros)	
Net income	**5,626**	**5,230**
- Share in net income of associates	(264)	(403)
+ Dividends received from associates	273	376
- Net depreciation, amortization and provisions	7,331	4,726
- Impact of changes in scope of consolidation, other non-recurring items	(2,592)	(801)
- Mark-to-market on commodity contracts other than trading instruments	106	323
- Other items with no cash impact	121	217
- Income tax expense	1,913	1,719
- Net financial loss	2,222	1,628
Cash generated from operations before income tax and working capital requirements	**14,736**	**13,016**
+ Tax paid	(2,146)	(1,377)
Change in working capital requirements	**(258)**	**1,988**
Cash flow from operating activities	**12,332**	**13,628**
Acquisitions of property, plant and equipment and intangible assets	(9,292)	(9,646)
Acquisitions of controlling interests in entities net of cash and cash equivalents acquired(1)	(737)	(475)
Acquisitions of investments in associates and joint ventures(1)	(139)	(286)
Acquisitions of available-for-sale securities	(510)	(902)
Disposals of property, plant and equipment and intangible assets	405	336
Disposals of entities/loss of control net of cash and cash equivalents sold(1)	412	55
Disposals of investments in associates and joint ventures(1)	1,239	1,295
Disposals of available-for-sale securities	847	685
Interest received on non-current financial assets	39	80
Dividends received on non-current financial assets	128	235
Change in loans and receivables originated by the Group and other	(176)	447
Cash flow used in investing activities	**(7,783)**	**(8,177)**
Dividends paid	(3,918)	(4,028)
Repayment of borrowings and debt	(7,424)	(12,897)
Change in financial assets at fair value through income	16	(993)
Interest paid	(1,565)	(1,293)
Interest received on cash and cash equivalents	141	149
Increase in borrowings and debt	8,709	14,887
Increase/decrease in capital	563	84
Acquisitions/disposals of treasury stock	(491)	0
Issuance of deeply-subordinated notes by SUEZ Environnement	742	0
Changes in ownership interests in controlled entities(1)	(455)	(191)
Cash flow used in financing activities	**(3,683)**	**(4,282)**
Effect of changes in exchange rates and other	106	107
Total cash flow for the period	**972**	**1,274**
Cash and cash equivalents at beginning of period	**10,324**	**9,049**
Cash and cash equivalents at end of period	**11,296**	**10,324**

(1) In accordance with IAS 27 revised, cash flows resulting from changes in a parent's ownership interest in controlled entities are now accounted for in "Cash flow used in financing activities" in the statement of cash flows.

The Group has therefore reviewed the presentation of acquisitions and disposals of consolidated entities in the statement of cash flows.

Up to December 31, 2009, the items “Acquisitions of entities net of cash and cash equivalents acquired” and “Disposals of entities net of cash and cash equivalents sold” included the cash impacts resulting from acquisitions/disposals of entities over which the Group has exclusive or joint control, acquisitions/disposals of associates and changes in ownership interests in entities over which the Group has exclusive or joint control.

As of January 1, 2010, changes in ownership interests in controlled entities are shown under “Changes in ownership interests in controlled entities” within “Cash flow used in financing activities”. Acquisitions and disposals of associates and joint ventures are presented separately from cash flows resulting from acquisitions/disposals of controlled entities. Cash flows resulting from acquisitions of controlling interests and loss of control in subsidiaries are shown under “Acquisitions of controlling interests in entities net of cash and cash equivalents acquired” and “Disposals of entities/loss of control net of cash and cash equivalents sold” respectively.

Comparative data for 2009 have been restated in order to present the cash flows concerned in accordance with this new presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 place Samuel de Champlain, 92400 Courbevoie (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 2, 2011, the Group's Board of Directors approved and authorized for issue the consolidated financial statements of the Group for the year ended December 31, 2010.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

Pursuant to European Regulation (EC) 809/2004 on prospectuses 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 two reporting periods (ended December 31, 2009 and 2010). This information was 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, 2010 have been prepared in accordance with IFRS as published by the International Accounting Standards Board (IASB) and endorsed by the European Union[6].

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2010 are consistent with the policies used to prepare the consolidated financial statements for the year ended December 31, 2009, except for those described in sections 1.1.1 and 1.1.2 below.

1.1.1 IFRS standards, amendments and IFRIC interpretations applicable in 2010

- IFRS 3 revised – Business Combinations, which applies to acquisitions of controlling interests (within the meaning of IAS 27 revised) that take place after January 1, 2010, and IAS 27 revised – Consolidated and Separate Financial Statements.

The main changes applicable at January 1, 2010 are presented in section 1.4 below.

- Improvements to IFRS 2009.
- Amendment to IAS 39 – Eligible Hedged Items.
- Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions.
- Amendment to IFRS 5 (Improvements to IFRS 2008) – Non-current Assets Held for Sale and Discontinued Operations.
- IFRIC 17 – Distributions of Non-cash Assets to Owners.

[6] Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

With the exception of IFRS 3 revised and IAS 27 revised, these amendments and interpretations have no material impact on the Group's consolidated financial statements for the year ended December 31, 2010.

The Group early adopted IFRIC 12 – Service Concession Arrangements in 2006, and IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 16 – Hedges of a Net Investment in a Foreign Operation and IFRIC 18 – Transfers of Assets from Customers, in 2009.

1.1.2 IFRS standards effective after 2010 that the Group has elected to early adopt in 2010

IAS 24 revised – Related Party Disclosures: the Group has elected to early adopt the provisions of IAS 24 revised regarding exemptions to disclosures by government-related entities. Accordingly, the new definition of a related party in the revised standard has not been applied in the consolidated financial statements for the year ended December 31, 2010.

1.1.3 IFRS standards and IFRIC interpretations effective after 2010 that the Group has elected not to early adopt in 2010

- IFRS 9 – Financial Instruments: Classification and Measurement.
- IAS 24 revised – Related Party Disclosures (provisions regarding government-related entities).
- Amendment to IAS 32 – Classification of Rights Issues.
- Amendment to IAS 12 – Deferred Tax – Recovery of Underlying Assets.
- Amendment to IFRS 7 – Enhancing Disclosures about Transfers of Financial Assets.
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.
- Amendment to IFRIC 14 – Prepaid Voluntary Contributions.
- Improvements to IFRS 2010.

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

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 financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

1.3 Use of judgments and estimates

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 statement of financial position 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 assets acquired and liabilities assumed in a business combination;
- measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see sections 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);
- measurement of revenues not yet metered, so called un-metered revenues;
- measurement of recognized tax loss carry-forwards.

1.3.1.1 Measurement of the fair value of assets acquired and liabilities assumed in a business combination

The key assumptions and estimates used to determine the fair value of assets acquired and liabilities assumed include the market outlook for the measurement of cash flows, and the applicable discount rate.

These assumptions reflect management's best estimates.

1.3.1.2 Recoverable amount of goodwill, 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 – whose sensitivity varies depending on the activity – for the measurement of cash flows, and the applicable discount rate. 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 the dismantling of industrial facilities, include the timing of expenditure (and notably the timetable for the end of gas operations for the gas infrastructure businesses in France) 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 statement of financial position date based on historical data, consumption statistics and estimated selling prices. For sales on networks used by a large 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 Judgment

As well as relying on estimates, Group management also makes judgments to define the appropriate accounting policies to apply to certain activities and transactions, particularly 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 accounting treatment applicable to concession contracts, the classification of arrangements which contain a lease, the recognition of acquisitions of non-controlling interests[1] prior to January 1, 2010 and the identification of electricity and gas 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 statement of financial position. 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 statement of financial position 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".

[1] Formerly "Minority interests".

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.

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 statement of financial position date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the consolidated statement of income for the year to which they relate;

- non-monetary assets and liabilities denominated in foreign currencies are 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 statements of financial position 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" as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are classified as assets and liabilities of those foreign entities and are therefore denominated in the functional currencies of the entities and translated at the year-end exchange rate.

1.4.3 Business combinations and changes in ownership interests

Business combinations carried out prior to January 1, 2010 have been accounted for in accordance with IFRS 3 prior to the revision effective January 1, 2010. In accordance with IFRS 3 revised, these business combinations have not been restated.

The Group applies the purchase method as defined in IFRS 3 revised, which consists in recognizing the identifiable assets acquired and liabilities assumed at their fair values at the acquisition date, as well as any non-controlling interest in the acquiree.

IFRS 3 revised and IAS 27 revised introduce changes to the Group's accounting policies applicable to business combinations occurring after January 1, 2010.

The main changes that have an impact on the Group's consolidated financial statements are as follows:

- costs related to acquisitions of controlling interests are expensed;
- in the event of a business combination achieved in stages, previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss;
- for each business combination, any non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Previously, only the latter option was authorized. The Group will determine on a case-by-case basis which option it will apply to recognize non-controlling interests;
- transactions (purchases or sales) of non-controlling interests that do not result in a change of control are recognized as transactions between shareholders. Consequently, any difference between the fair value of consideration paid or received and the carrying amount corresponding to the non-controlling interest is recognized directly in equity;
- in accordance with the revision of IAS 7 in light of the revision of IAS 27, the comparative statement of cash flows has been restated.

The changes introduced by these new standards led the Group to create a "Changes in scope of consolidation" line in the income statement which is presented as a non-current item in income from operating activities. The following impacts are recognized under "Changes in scope of consolidation":

- costs related to acquisitions of controlling interests;
- in the event of a business combination achieved in stages, impacts of the remeasurement of previously held equity interest in the acquiree at its acquisition-date fair value;
- subsequent changes in the fair value of contingent consideration;
- gains or losses from disposals of investments which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests.

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

Due to the application of IFRS 3 revised at January 1, 2010, the Group is required to separately identify business combinations carried out before and after this date.

Business combinations carried out prior to January 1, 2010

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 acquiree's 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.

Events/transactions occurring after January 1, 2010 concerning business combinations carried out prior to January 1, 2010

The initial accounting for business combinations is not restated.

Any adjustments to the consideration transferred in these business combinations changes their initial accounting and leads to a matching adjustment to goodwill.

However, certain new provisions introduced by IFRS 3 revised and IAS 27 revised are also applicable to business combinations carried out prior to January 1, 2010. These affect in particular changes in ownership interests in a subsidiary and loss of control occurring after January 1, 2010, which are now accounted for in accordance with the new requirements.

Business combinations carried out after January 1, 2010

Goodwill is measured as the excess of the aggregate of:

(i) the consideration transferred;

(ii) the amount of any non-controlling interests in the acquiree; and

(iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree;

over the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill recognized on the acquisition date is not subsequently adjusted.

Goodwill relating to interests in 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) or groups of 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 "Impairment 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 the basis of the expected pattern of consumption of the estimated future economic benefits embodied in the asset. Amortization is calculated mainly 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 statement of financial position 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 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 mainly using the straight-line method over the following useful lives:

	Main depreciation periods	
	Minimum	Maximum
	(years)	
Plant and equipment		
• Energy		
Storage - Production - Transport – Distribution	5	60*
Installation – Maintenance	3	10
Hydraulic plant and equipment	20	65
• Environment	2	70
Other property, plant and equipment	2	33

* Excluding cushion gas.

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.

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 studies are expensed in the year in which they are incurred.

Exploration costs (other than geological and geophysical studies) are temporarily capitalized in "pre-capitalized exploration costs" before the confirmation of the technical feasibility and commercial viability of extracting resources. These exploration drilling costs are temporarily 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 and economically viable. This progress is assessed based on criteria such as whether 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 this method labeled "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 – *Service Concession Arrangements: Disclosures*, prescribes the information that should be disclosed in the notes to the financial statements of a concession grantor and concession operator, while IFRIC 12 deals with the treatment to be applied by the concession operator in respect of certain concession arrangements.

These interpretations set out the common features of concession arrangements:

- concession arrangements involve the provision of a public service and the management of associated infrastructure, together with specific capital renewal and replacement obligations;
- the grantor is contractually obliged to offer these services to the public (this criterion 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 statement of financial position;

- 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 do 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, most of which are renewed upon expiration 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 statement of financial position date.

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

1.4.9 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 the section on property, plant and equipment).

Working gas is classified in inventory and measured at weighted 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 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 statement of financial position 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. Financial assets are broken down into current and non-current liabilities in the consolidated statement of financial position.

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). Cost is determined using the weighted average cost formula.

These items are measured at fair value on initial recognition, which generally corresponds to the acquisition cost plus transaction costs.

At each statement of financial position date, available-for-sale securities are measured at fair value. For listed companies, fair value is determined based on the quoted market price at the statement of financial position date. For unlisted companies, fair value is measured based on standard valuation techniques (reference to similar transactions, discounted future cash flows, net asset value, etc.). Changes in fair value are recorded directly in other comprehensive income, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment loss to be recognized. 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 carried at amortized cost

This item primarily includes loans and advances to associates or non-consolidated companies, guarantee deposits, trade and other receivables.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each statement of financial position date, they are measured at 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 statement of financial position 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 and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the consolidated statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the statement of financial position 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 statement of financial position 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 non-controlling interests

Other financial liabilities primarily include put options granted by the Group in respect of non-controlling interests.

Put options on non-controlling interests granted prior to January 1, 2010

As no specific guidance is provided by IFRS, and based on recommendations issued by the AMF for the 2009 reporting period, the Group decided to continue accounting for instruments recognized prior to January 1, 2010 using its previous accounting policies.

- 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 non-controlling interests. When the value of the put option is greater than the carrying amount of the non-controlling interests, the difference is recognized as goodwill;

- at each statement of financial position 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 non-controlling interests result in an increase in goodwill;

- in the consolidated income statement, non-controlling interests are allocated their share in income. In the consolidated statement of financial position, the share in income allocated to non-controlling 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.

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 and gas 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 statement of financial position 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 statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as:

- a fair value hedge of an asset or liability;
- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a 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.

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 statement of financial position in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

Fair value measurement

The fair value of instruments listed on an active market is determined by reference to the market price. In this case, these instruments are presented in level 1 of the fair value hierarchy.

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

Models used to evaluate these instruments take into account assumptions based on market inputs:

- the fair value of interest rate swaps is calculated based on the present value of future cash flows;
- 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.

These instruments are presented in level 2 of the fair value hierarchy except when the evaluation is based mainly on data that are not observable; in this case they are presented in level 3 of fair value hierarchy. Most often, this is the case for derivatives with a maturity that falls outside the observability period for market data relating to the underlying or when some parameters such as the volatility of the underlying are not observable.

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 for options with no performance conditions or using a Monte Carlo pricing model for options with performance conditions. These models take into account the characteristics of the plan concerned (exercise price, exercise period, performance conditions if any), 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.

A Monte Carlo pricing model is used for performance shares granted on a discretionary basis and subject to external performance criteria.

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 the discount awarded to employees and the 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 are 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 elected in 2006 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 in other comprehensive income. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

However, actuarial gains and losses on other long-term benefits such as long-service awards, continue to be recognized immediately in income.

The interest cost in respect of pensions and other employee benefit obligations and the expected return on related plan assets are presented as a financial expense.

1.4.15.2 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.

Part of the price received by the Group under certain long-term energy sales contracts may be fixed rather than being based on volumes. In rare cases, the fixed amount can change over the term of the contract. In accordance with IAS 18, revenues from such components 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

Water

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 2009-R03 on the format of financial statements of entities applying IFRSs.) 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 mark-to-market on commodity contracts other than trading instruments, asset impairment, restructuring costs, changes in the scope of consolidation and other non-recurring items, and are defined as follows:

- 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;
- impairment includes impairment losses on non-current assets;
- 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;
- changes in scope of consolidation: the items included on this line are detailed in section 1.4.3;
- other non-recurring items chiefly include capital gains and losses on disposals of non-current assets and available-for-sale securities.

1.4.18 Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method starting from net income.

“Interest received on non-current financial assets” is classified within investing activities because it represents a return on investments. “Interest received on cash and cash equivalents” is shown as a component of financing activities because the interest can be used to reduce borrowing costs. This classification is consistent with the Group’s internal organization, where debt and cash are managed centrally by the treasury department.

As impairment losses on current assets are considered to be definitive losses, changes in current assets are presented net of impairment.

Cash flows relating to the payment of taxes are presented on a separate line of the consolidated statement of cash flows.

1.4.19 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 statement of financial position 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 statement of financial position date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

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.).

NOTE 2 MAIN CHANGES IN GROUP STRUCTURE

2.1 Transactions in the year ended December 31, 2010

2.1.1 Acquisition of a controlling interest in Aguas de Barcelona

The GDF SUEZ Group’s acquisition of a controlling interest in the water and environmental activities of Aguas de Barcelona (Agbar) through SUEZ Environnement was announced on October 22, 2009 and finalized on June 8, 2010. SUEZ Environnement now holds a 75.23% stake in Agbar (26.67% at GDF SUEZ level) and has fully consolidated Agbar in its consolidated financial statements since this acquisition. Criteria CaixaCorp (Criteria), the Group’s historic partner in Agbar, retains a 24.10% interest. The remaining 0.67% stake is held by shareholders who did not sell their shares in the delisting tender offer launched by Agbar from May 10 to May 24, 2010 (investment of

€273 million for Agbar) and have not sold their shares to Agbar since that date. Agbar was previously proportionately consolidated in the Group's financial statements.

On June 8, 2010, Agbar sold its entire stake in Adeslas (health insurance) to Criteria for a consideration of €687 million and Criteria simultaneously sold some of its shares in Agbar to the Group for a total of €666 million. In addition, Criteria and SUEZ Environnement signed a new shareholders' agreement, granting to SUEZ Environnement control of Hisusa, the Agbar group's holding company.

The fair value of the cash consideration transferred in order to gain control of Agbar amounts to €666 million (€20 per share). The Group remeasured the previously held interests at their acquisition-date fair value, i.e., €20 per share or a total amount of €1,374 million. The impact of this remeasurement in the income statement is a gain of €167 million, recognized under "Changes in scope of consolidation" within "Income from operating activities" (see Note 5.4, "Changes in scope of consolidation").

The Group decided to measure the non-controlling interest based on the proportionate share it represents of Agbar's net identifiable assets.

At December 31, 2010, the accounting of the business combination was complete.

The acquisition-date fair values of the identifiable assets and liabilities are presented in the following table:

	In millions of euros
Non-current assets	
Intangible assets, net	1,569
Property, plant and equipment, net	3,331
Other non-current assets	503
Deferred tax assets	258
Current assets	
Other current assets	789
Cash and cash equivalents	1,105
Non-current liabilities	
Other non-current liabilities	2,596
Deferred tax liabilities	470
Current liabilities	
Other current liabilities	1,258
Total net assets (100%)	**3,231**
Purchase consideration transferred	666
Re-measurement of previously held equity interest	1,374
Non-controlling interests	1,585
Goodwill	**394**

Goodwill totaling €394 million mainly reflects market share, potential for international growth and expected synergies with the Group.

Including the impact of this transaction, Agbar's contribution to the Group's consolidated revenues amounts to €1,931 million.

If the acquisition had taken place on January 1, 2010, Agbar's contribution to the Group's consolidated revenues would have increased by €50 million.

2.1.2 Chile

On November 6, 2009, the GDF SUEZ Group, through its subsidiary SUEZ Energy Andino SA ("SEA"), and Corporación Nacional del Cobre de Chile ("Codelco") decided to reorganize their respective shareholdings in certain companies operating in the Chilean Northern Interconnected System ("SING") by signing a Merger Agreement. The main purposes of the merger operation were to simplify the corporate and ownership structure of the various energy companies and for GDF SUEZ to gain exclusive control over these entities and to improve the decision-making processes in terms of efficiency and quality.

Following the close of the merger on January 29, 2010, Gasoducto NorAndino SA (“GNAC”) and Gasoducto NorAndino Argentina SA (“GNAA”), entities previously controlled by the Group, and Electroandina SA (“Electroandina”), Distrinor SA (“Distrinor”) and Central Termoeléctrica Andina SA (“CTA”), entities previously jointly controlled by the Group and Codelco, became subsidiaries of E-CL SA (“E-CL”, formerly Edelnor SA). The Group’s interest in Inversiones Hornitos SA (“CTH”), jointly controlled with Amsa Holding, has also been transferred to E-CL.

All previous existing shareholders’ agreements with Codelco were terminated. Through its subsidiary SEA, the Group now has a 52.4% controlling stake in E-CL. The remainder of E-CL’s capital is split between Codelco (40.0%) and a free float on the Santiago stock exchange (7.6%). As of January 29, E-CL and its subsidiaries are fully consolidated in the Group’s financial statements, with the exception of CTH which continues to be consolidated by the proportionate method.

The valuation for the different companies used in order to calculate the terms of exchange for the Merger were based on discounted cash flows. Following the controlling interest acquired in Electroandina, Distrinor, CTA and E-CL, and in accordance with the revised IFRS 3, the Group remeasured its previously held equity interest in the aforementioned companies to fair value and recognized the dilutive impact on its CTH shares. As a result, a gain of €167 million (including €148 million resulting from the remeasurement of previously held interests), plus acquisition-related costs of €2 million, were recognized in the income statement under “Changes in scope of consolidation” within “Income from operating activities” (see Note 5.4, “Changes in scope of consolidation”).

The Group decided to measure the non-controlling interest at its proportionate share of the acquiree’s identifiable net assets.

The fair value of the consideration transferred consists of the fair value of the equity interests exchanged of €80 million and an amount of €93 million paid in cash.

At December 31, 2010, the accounting of the business combination was complete.

The acquisition-date fair values of the identifiable assets and liabilities of Electroandina, Distrinor, E-CL and CTA are presented in the following table:

	In millions of euros
Non-current assets	
Intangible assets, net	322
Property, plant and equipment, net	884
Other non-current assets	70
Current assets	
Other current assets	175
Cash and cash equivalents	144
Non-current liabilities	
Other non-current liabilities	150
Deferred tax liabilities	124
Current liabilities	
Other current liabilities	405
Total net assets (100%)	**915**
Purchase consideration transferred	173
Re-measurement of previously held equity interest	307
Non-controlling interests	435
Goodwill	**0**

The impact of acquiring these entities on consolidated cash flow – reflecting cash disbursed in the acquisition net of cash acquired, plus acquisition-related costs disbursed – was a negative €6 million.

The additional contributions to consolidated revenues and net income Group share from the acquisition date to year-end amount to €498 million and €25 million, respectively.

If the merger had taken place on January 1, 2010, the contribution to revenues and net income Group share would have increased by €34 million and €3 million, respectively.

2.1.3 Unwinding of cross-holdings in water management companies with the Veolia Environnement group

Following consultations with the staff representative bodies of the companies concerned, and the approval of the European Competition Authorities, on March 23, 2010 SUEZ Environnement and the Veolia Environnement group announced the unwinding of all their cross-holdings in water management companies in France. These companies were previously consolidated by GDF SUEZ using the proportionate method.

Pursuant to the completion of this process, which was launched on December 19, 2008, SUEZ Environnement wholly owns the eight companies listed below through its subsidiary Lyonnaise des Eaux:

- Société d'Exploitation du Réseau d'Assainissement de Marseille (SERAM);
- Société Provençale des Eaux (SPE);
- Société des Eaux du Nord (SEN) and its subsidiaries;
- Société des Eaux de Versailles et de Saint Cloud (SEVESC) and its subsidiaries;
- Société Martiniquaise des Eaux (SME);
- Société Guyanaise des Eaux (SGDE);
- Société Stéphanoise des Eaux (SSE);
- Société Nancéienne des Eaux (SNE).

These companies are now fully consolidated by GDF SUEZ.

Lyonnaise des Eaux simultaneously sold all of its interests in Société des Eaux de Marseille and Société des Eaux d'Arles to Veolia-Eau, generating a consolidated capital gain of €81 million (see Note 5.4, "Changes in scope of consolidation").

The Group remeasured the interests acquired in the aforementioned eight companies previously held by Lyonnaise des Eaux at their acquisition-date fair value, representing a total amount of €148 million. The impact of this remeasurement in the income statement is a gain of €120 million, recognized under "Changes in scope of consolidation" within "Income from operating activities" (see Note 5.4, "Changes in scope of consolidation").

At December 31, 2010, the accounting of the business combination was definitive.

The acquisition-date fair values of the identifiable assets and liabilities are presented in the following table:

	In millions of euros
Non-current assets	
Intangible assets, net	265
Property, plant and equipment, net	72
Other non-current assets	1
Deferred tax assets	16
Current assets	
Other current assets	16

	In millions of euros
Cash and cash equivalents	30
Non-current liabilities	
Other non-current liabilities	182
Deferred tax liabilities	61
Current liabilities	
Other current liabilities	81
Total net assets (100%)	**76**
Purchase consideration transferred	131
Re-measurement of previously held equity interest	148
Goodwill	**203**

The estimated amount of provisions was recognized in line with the principles of the revised IFRS 3, which states that provisions should be recognized in respect of contingent liabilities resulting from litigation in progress at the acquisition date (see Note 26, "Legal and anti-trust proceedings").

Goodwill totaling €203 million chiefly represents market share as well as expected synergies with the Group.

The additional impact on consolidated revenues since the effective date of this transaction is a positive €10 million in 2010.

2.1.4 Acquisition of controlling interests in Astoria

On January 7, 2010, the Group increased its interest to 65.4% in the 575 MW Astoria Energy I natural gas-fired power plant located in Queens, New York. Following this acquisition, the Group obtained effective control of the power plant, which consequently has been fully consolidated in the Group's financial statements as of the date of acquisition. Prior to this acquisition, and since May 16, 2008, the Group's interest in the power plant (14.8%) was accounted for under the equity method. The acquisition-date fair value of consideration transferred in the form of cash amounted to €148 million. The Group has committed to transferring an additional consideration contingent on the performance of Astoria Energy I. The acquisition-date fair value of the conditional purchase consideration is estimated at €8 million.

At December 31, 2010, accounting of the business combination was definitive. The amount of goodwill recognized on this business combination was not material.

Since the acquisition date, Astoria's contribution to revenue amounts to €189 million. Its contribution to net income Group share for 2010 is not material.

2.1.5 Disposal of shareholdings in Fluxys group and Fluxys LNG

Within the context of changes in the legal environment and pursuant to the gas law which stipulates that suppliers or their related companies cannot hold more than 24.99% of the share capital or shares with voting rights in a transport infrastructure management company, GDF SUEZ and Publigaz signed an agreement in March 2010 for the sale of the Group's entire shareholding in Fluxys (38.5%).

The transaction took place on May 5, 2010: 270,530 shares were sold at the price of €2,350 per share, for a total amount of €636 million.

The agreement with Publigaz also provided for the GDF SUEZ Group's transfer of its 6.8% holding in Fluxys LNG to Fluxys. On May 5, 2010, GDF SUEZ completely withdrew from the capital of Fluxys LNG through the sale of the shares for the amount of €28 million.

This transaction represents a consolidated capital gain of €422 million for GDF SUEZ (see Note 5.4, "Changes in scope of consolidation").

At December 31, 2009, the contribution made by these entities to net income of associates totaled €57 million.

2.1.6 Sale of Elia

On May 10, 2010, GDF SUEZ finalized the sale to Publi-T of the 12.5% interest held by Group subsidiary Electrabel SA in Elia SA (Elia). The 6,035,522 shares were sold at a price of €26.50 per share, for a total amount of €160 million.

The Group also sold its remaining 11.7% stake in Elia SA on May 18, 2010, at the price of €27 per share for a total amount of €153 million. Following this second transaction, the Group no longer holds any shares in Elia.

These sales generated a consolidated capital gain of €238 million for GDF SUEZ (see Note 5.4, "Changes in scope of consolidation").

At December 31, 2009, Elia's contribution to net income of associates totaled €23 million.

2.1.7 Other transactions carried out in 2010

Several other acquisitions and equity transactions took place in 2010, including the buy-out of non-controlling interests in Gaselys, acquisition of a controlling interest in GNL Mejillones in Chile, and proportionate consolidation of PTTNGD businesses in Thailand following the change in the company's bylaws. The individual and aggregate impacts of these transactions on the consolidated financial statements are not material.

2.2 Update on the main acquisitions carried out in 2009: completion in 2010 of the purchase accounting related to these transactions

2.2.1 European capacity swap agreements

On July 31, 2009, Electrabel and E.ON signed the final agreements concerning the swap of conventional and nuclear power plant capacities. The agreements were validated by the boards of directors of both parties and by the competent competition authorities, and the swap was carried out on November 4, 2009.

On completion of the transaction, Electrabel had acquired from E.ON a total of 860 MW of capacity from conventional power plants and some 132 MW of hydro-electric capacity, for a consideration of €551 million. This acquisition qualified as a business combination. Provisional goodwill for an amount of €453 million was recognized at December 31, 2009.

At December 31, 2010, the Group finalized its determination of the fair value of power plants acquired. The definitive goodwill amounts to €118 million.

As a reminder, the other impacts of the 2009 agreement with E.ON were as follows:

Electrabel sold to E.ON the Langerlo coal and biomass plant (556 MW) as well as the Vilvoorde gas-fired power plant (385 MW). This transaction was carried out for an amount of €505 million, and generated capital gains in an amount of €108 million in the consolidated financial statements of GDF SUEZ.

The Group acquired 700 MW in drawing rights from nuclear power plants in Germany, which are recognized under other receivables in respect of future deliveries to receive.

The Group also sold approximately 770 MW in drawing rights from nuclear power plants with delivery points in Belgium and the Netherlands, which are recognized under down payments received in respect of future obligations to deliver power.

No cash was exchanged between Electrabel and E.ON in respect of these transactions.

2.2.2 Other acquisitions

Various other acquisitions were carried out in 2009 which were not material on an individual basis.

The allocation of the cost of these business combinations was finalized during 2010 and did not materially impact the financial statements.

2.3 Other transactions carried out in 2009

Within the scope of the commitments made to the European Commission in connection with the merger of both groups, SUEZ and Gaz de France agreed to carry out a number of divestments. The following transactions took place in 2009:

- 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 shares were sold for €585 million and the sale did not generate any capital gains;

- as part of the commitments made to the Belgian government (Pax Electrica II agreement), on June 12, 2008 the Group entered into agreements with SPE designed to increase that company's share in Belgian power production. The agreement to swap 100 MW of capacity and the agreement to sell 250 MW of capacity to SPE came into force during the first half of 2009. The sale of a 6.2% interest in co-owned nuclear power units for €180 million generated a capital gain of €70 million;

- as part of the reorganization of its shareholding in Fluxys, GDF SUEZ agreed to sell shares in Fluxys to Publigaz, so as to bring Publigaz' interest in Fluxys to 51.28%. The transaction was duly completed on May 18, 2009, and generated a capital gain of €87 million.

As part of the agreement for the sale of Distrigas to ENI, the Group finalized several agreements in the gas and power sectors, including the acquisition from ENI of 1,100 MW of virtual power production (VPP) capacity in Italy for €1,210 million, supply contracts, Exploration & Production assets, and the City of Rome natural gas distribution network.

As of December 31, 2009, all of these transactions had been completed except the acquisition of the City of Rome natural gas distribution network. As of December 31, 2010, negotiations with ENI are currently in progress in an attempt to find an alternative solution consistent with the commitments undertaken.

NOTE 3 SEGMENT INFORMATION

3.1 Operating segments

In accordance with the provisions of IFRS 8 – Operating Segments, 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 Group has therefore identified ten operating segments:

- **Energy France business line** – subsidiaries in this operating segment produce electricity and sell natural gas, electricity and services to private individuals, small business customers and companies in France;

- **Energy Benelux & Germany business area** – subsidiaries in this operating segment produce and sell electricity and/or gas, in Belgium, the Netherlands, Luxembourg and Germany;

- **Energy Europe business area** – these subsidiaries produce electricity and/or provide electricity and gas transmission, distribution and sales services in Europe (excluding France, Benelux and Germany);

- **Energy North America business area** – these subsidiaries produce electricity and/or provide electricity and gas sales services in the United States, Mexico and Canada. They are also active in the LNG import and regasification businesses;

- **Energy Latin America business area** – subsidiaries in this operating segment produce electricity and/or provide electricity and gas transmission and distribution services in Latin America. Since 2010, they have also been active in the LNG import and regasification businesses in Chile;

- **Energy Middle East, Asia & Africa business area** – subsidiaries operating in this segment produce and sell electricity in Thailand, Laos, Singapore, Turkey and the Arabian peninsula. They also provide seawater desalinization services in the Arabian peninsula;

- **Global Gas & LNG business line** – these subsidiaries supply gas to the Group and sell energy and service packages to key European players, using proprietary production as well as long-term gas and LNG contracts;

- **Infrastructures business line** – subsidiaries in this segment operate gas and electricity transportation, storage and distribution networks, and LNG terminals, essentially in France and Germany. They also sell access rights to this infrastructure to third parties;

- **Energy Services business line** – 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 business line** – subsidiaries operating in this operating 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.

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 operating segments concerned.

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 industrial capital employed are reconciled with the consolidated financial statements.

The main relationships between operating segments concern (i) Energy France and Infrastructures and (ii) Global Gas & LNG and Energy France/Energy Benelux & Germany.

Services relating to the use of the Group's gas infrastructures in France are billed based on a regulated fee applicable to all network users, except for storage infrastructure. The prices for reservations and use of storage facilities are established by storage operators and based on auctions of available capacity.

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).

Due to the variety of its business lines and their geographical localization, the Group serves a very diverse range of customer types and situations (industry, local authorities and individual customers). Accordingly, no external customer represents individually 10% or more of the Group's consolidated revenues.

3.2 Key indicators by operating segment

REVENUES

	As of December 31,					
	2010			2009		
	External revenues	Intra-group revenues	Total	External revenues	Intra-group revenues	Total
	(in millions of euros)					
Energy France	14,982	475	15,457	13,954	434	14,388
Energy Europe & International	31,770	277	32,047	28,350	245	28,594
of which: Energy Benelux & Germany	*14,257*	*970*	*15,228*	*13,204*	*964*	*14,168*
Energy Europe	*8,084*	*659*	*8,743*	*7,746*	*515*	*8,261*
Energy North America	*4,215*	*61*	*4,276*	*3,877*	*45*	*3,922*
Energy Latin America	*3,208*	*0*	*3,208*	*2,013*	*0*	*2,013*
Energy Middle East, Asia & Africa	*2,007*	*0*	*2,007*	*1,511*	*0*	*1,511*
Intra-business line eliminations		*(1,414)*	*(1,414)*		*(1,280)*	*(1,280)*
Global Gas & LNG	9,173	11,620	20,793	10,657	9,813	20,470
Infrastructures	1,203	4,688	5,891	1,043	4,570	5,613
Energy Services	13,486	209	13,695	13,621	193	13,814
SUEZ Environnement	13,863	6	13,869	12,283	13	12,296
Other	0	0	0	0	0	0
Intra-group eliminations		(17,274)	(17,274)		(15,267)	(15,267)
Total revenues	**84,478**	**0**	**84,478**	**79,908**	**0**	**79,908**

EBITDA

	As of December 31,	
	2010	2009
	(in millions of euros)	
Energy France	1,023	366
Energy Europe & International	5,831	5,027
of which: Energy Benelux & Germany	*2,272*	*2,123*
Energy Europe	*1,163*	*1,011*
Energy North America	*617*	*657*
Energy Latin America	*1,475*	*1,023*
Energy Middle East, Asia & Africa	*406*	*285*
Global Gas & LNG	2,080	2,864
Infrastructures	3,223	3,026
Energy Services	923	921
SUEZ Environnement	2,339	2,060
Other	(332)	(253)
Total EBITDA	**15,086**	**14,012**

CURRENT OPERATING INCOME

	As of December 31,	
	2010	2009
	(in millions of euros)	
Energy France	646	288
Energy Europe & International	3,937	3,534
of which: Energy Benelux & Germany	*1,657*	*1,574*
Energy Europe	*646*	*581*
Energy North America	*298*	*429*
Energy Latin America	*1,126*	*833*
Energy Middle East, Asia & Africa	*317*	*197*
Global Gas & LNG	961	1,450

	As of December 31,	
	2010	2009
	(in millions of euros)	
Infrastructures	2,071	1,947
Energy Services	598	598
SUEZ Environnement	1,025	926
Other	(443)	(395)
Total current operating income	**8,795**	**8,347**

DEPRECIATION AND AMORTIZATION

	As of December 31,	
	2010	2009
	(in millions of euros)	
Energy France	(418)	(31)
Energy Europe & International	(1,811)	(1,309)
of which: Energy Benelux & Germany	(563)	(381)
Energy Europe	(492)	(421)
Energy North America	(310)	(230)
Energy Latin America	(346)	(187)
Energy Middle East, Asia & Africa	(101)	(89)
Global Gas & LNG	(1,158)	(1,378)
Infrastructures	(1,159)	(1,083)
Energy Services	(296)	(294)
SUEZ Environnement	(975)	(838)
Other	(85)	(65)
Total depreciation and amortization	**(5,902)**	**(4,998)**

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND FINANCIAL ASSETS

	As of December 31,	
	2010	2009
	(in millions of euros)	
Energy France	(87)	(28)
Energy Europe & International	(371)	(134)
of which: Energy Benelux & Germany	*(43)*	*(111)*
Energy Europe	*(306)*	*(4)*
Energy North America	*(12)*	*(9)*
Energy Latin America	*(9)*	*(5)*
Energy Middle East, Asia & Africa	*0*	*0*
Global Gas & LNG	(641)	(179)
Infrastructures	(192)	(2)
Energy Services	(39)	7
SUEZ Environnement	(85)	(85)
Other	(52)	(51)
Total impairment of property, plant and equipment, intangible assets and financial assets	**(1,468)**	**(472)**

INDUSTRIAL CAPITAL EMPLOYED

	As of December 31,	
	2010	2009
	(in millions of euros)	
Energy France	7,360	6,890
Energy Europe & International	36,233	30,230
of which: Energy Benelux & Germany	*9,768*	*8,842*
Energy Europe	*8,670*	*8,400*
Energy North America	*6,088*	*4,908*
Energy Latin America	*8,029*	*5,230*
Energy Middle East, Asia & Africa	*3,703*	*2,820*
Global Gas & LNG	9,027	9,299
Infrastructures	19,072	18,823
Energy Services	2,828	2,516
SUEZ Environnement	13,313	10,059
Other	155	70
Total industrial capital employed	**87,987**	**77,888**

The definition of industrial capital employed now includes receivables arising in relation to the application of IFRIC 4 and IFRIC 12. Comparative data for 2009 have been adjusted and a reconciliation with the Group's previous definition of industrial capital employed is provided in Note 3.5.

CAPITAL EXPENDITURE (CAPEX)

	As of December 31,	
	2010	2009
	(in millions of euros)	
Energy France	791	925
Energy Europe & International	4,734	4,668
of which: Energy Benelux & Germany	*1,550*	*1,638*
Energy Europe	*766*	*993*
Energy North America	*312*	*376*
Energy Latin America	*1,514*	*1,453*
Energy Middle East, Asia & Africa	*603*	*226*
Global Gas & LNG	1,149	1,147
Infrastructures	1,787	1,948
Energy Services	623	621
SUEZ Environnement	2,350	1,459
Other	472	392
Total capital expenditure	**11,906**	**11,160**

Financial investments included above exclude cash and cash equivalents acquired (€548 million), but include the acquisitions of additional interests in controlled entities which are accounted for in cash flows used in financing activities in the statement of cash flows (€505 million).

3.3 Key indicators by geographic area

The amounts set out below are analyzed by:

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

	Revenues		Industrial capital employed	
	As of December 31,			
	2010	2009	2010	2009
	(in millions of euros)			
France	31,502	30,724	33,789	32,732
Belgium	11,997	11,557	5,318	5,111
Other EU countries	25,152	25,164	25,460	22,191
Other European countries	1,311	1,197	2,040	1,735
North America	5,004	4,642	7,991	6,678
Asia, Middle East and Oceania	4,574	3,203	5,107	4,043
South America	4,050	2,571	8,100	5,271
Africa	887	851	180	127
Total	**84,478**	**79,908**	**87,987**	**77,888**

The definition of industrial capital employed now includes receivables arising in relation to the application of IFRIC 4 and IFRIC 12. Comparative data for 2009 have been adjusted and a reconciliation with the Group's previous definition of industrial capital employed is provided in Note 3.5.

3.4 Reconciliation of EBITDA

RECONCILIATION OF EBITDA WITH CURRENT OPERATING INCOME

	As of December 31,	
	2010	2009
	(in millions of euros)	
Current operating income	8,795	8,347
Depreciation, amortization and provisions	5,899	5,183
Share-based payment (IFRS 2) and other	126	218
Net disbursements under concession contracts	265	263
EBITDA	**15,086**	**14,012**

3.5 Reconciliation of industrial capital employed with items in the statement of financial position

	As of December 31,	
	2010	2009
	(in millions of euros)	
(+) Property, plant and equipment and intangible assets, net	91,483	81,085
(+) Goodwill	27,567	27,989
(-) Goodwill arising on the Gaz de France-SUEZ merger(1)	(11,507)	(11,507)
(+) IFRIC 4 and IFRIC 12 receivables(3)	1,402	1,215
(+) Investments in associates	1,980	2,176
(+) Trade and other receivables	21,334	19,748
(-) Margin calls(1)(2)	(547)	(1,185)
(+) Inventories	3,870	3,947
(+) Other current and non-current assets	8,397	6,790
(+) Deferred taxes	(10,768)	(10,437)
(-) Provisions	(14,469)	(14,053)
(+) Actuarial gains and losses recorded in equity (net of deferred taxes) (1)	657	159
(-) Trade and other payables	(14,835)	(12,887)
(+) Margin calls(1)(2)	542	717
(-) Other current and non-current liabilities	(16,339)	(14,958)
(-) Other financial liabilities	(780)	(911)
Industrial capital employed	**87,987**	**77,888**

(1) For the purposes of calculating industrial capital employed, the amounts recorded in respect of these items have been adjusted from those appearing in the statement of financial position.

(2) Margin calls included in “Trade and other receivables” and “Trade and other payables” correspond to advances received or paid as part of collateralization agreements set up by the Group to reduce its exposure to counterparty risk on commodities transactions.

(3) Industrial capital employed now includes receivables arising in relation to the application of IFRIC 4 and IFRIC 12. Data for 2009 have been restated in order to reflect the change in definition.

NOTE 4 CURRENT OPERATING INCOME

4.1 Revenues

Group revenues break down as follows:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Energy sales	55,694	53,090
Rendering of services	26,620	25,258
Lease and construction contracts	2,164	1,560
Revenues	**84,478**	**79,908**

In 2010, revenues from lease and construction contracts amounted to €889 million and €1,275 million, respectively (€737 million and €823 million in 2009).

4.2 Personnel costs

	As of December 31,	
	2010	2009
	(in millions of euros)	
Short-term benefits	(11,262)	(10,891)
Share-based payment	(119)	(221)
Costs related to defined benefit plans	(261)	(159)
Costs related to defined contribution plans	(113)	(94)
Total	**(11,755)**	**(11,365)**

Post-employment benefit obligations and other long-term employee benefits are presented in Note 18.

Share-based payments are described in Note 23.

4.3 Depreciation, amortization and provisions

	As of December 31,	
	2010	2009
	(in millions of euros)	
Depreciation and amortization	(5,902)	(4,998)
Net change in write-downs of inventories and trade receivables	15	(217)
Net change in provisions	(12)	32
Total	**(5,899)**	**(5,183)**

Depreciation and amortization breaks down as €1,034 million for intangible assets and €4,868 million for property, plant and equipment. A breakdown by type of asset is provided in notes 10 and 11.

The increase in depreciation and amortization expenses results both from the impact of business combinations and new assets commissioned in 2010 (thermal power plants in France, LNG terminals, hydroelectric power plants in Brazil, etc.) and in 2009.

Write-downs of inventories and trade receivables decreased in 2010, mainly as a result of a decline in impairment of trade receivables and also of the impact of recognizing previously impaired doubtful receivables as bad debt.

NOTE 5 INCOME FROM OPERATING ACTIVITIES

	As of December 31,	
	2010	**2009**
	(in millions of euros)	
Current operating income	8,795	8,347
Mark-to-market on commodity contracts other than trading instruments	(106)	(323)
Impairment of property, plant and equipment, intangible assets and financial assets	(1,468)	(472)
Restructuring costs	(206)	(179)
Changes in scope of consolidation	1,185	367
Other non-recurring items	1,297	434
Income from operating activities	**9,497**	**8,174**

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

In 2010, this item represents a net loss of €106 million (compared with a net loss of €323 million in 2009), chiefly reflecting:

- changes in the fair value of forward contracts used as economic hedges not eligible for hedge accounting, resulting in a net loss of €139 million compared with a net loss of €285 million in 2009. The net loss for the period results mainly from the settlement of positions with a positive market value at end-December 2009. This negative impact is offset in part by the positive impact of the depreciation of the euro against the US dollar and pound sterling on currency hedges contracted in respect of commodity purchase contracts, as well as by an overall positive price impact resulting from changes in the price of underlying commodities during the period;

- the ineffective portion of cash flow hedges contracted in respect of non-financial assets, and the disqualification from hedge accounting of certain instruments hedging commodity risk, resulting in a gain of €33 million (compared with a loss of €38 million in 2009).

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

	As of December 31,	
	2010	**2009**
	(in millions of euros)	
Impairment losses:		
Goodwill	**(169)**	**(8)**
Property, plant and equipment and other intangible assets	(1,220)	(436)
Financial assets	(113)	(103)
Other	(0)	22
Total impairment losses	**(1,502)**	**(526)**

	As of December 31,	
	2010	2009
	(in millions of euros)	
Reversals of impairment losses:		
Property, plant and equipment and other intangible assets	13	40
Financial assets	20	14
Total reversals of impairment losses	**34**	**53**
Total	**(1,468)**	**(472)**

5.2.1 Impairment of goodwill

The Group recognized a €134 million impairment loss against goodwill relating to a gas distribution company in Turkey. This reflects the persistent difficulties encountered by a major industrial customer as well as the risk of changes in the tariff regulation in Turkey from 2017. The value in use of this cash-generating unit (CGU) was determined using (i) cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee and (ii) cash flow forecasts that incorporate assumptions related to the changes in the tariff regulation for the period beyond the six-year plan. The estimates used for key impairment testing variables, namely assumptions as to growth in gas consumption and the regulation that will be used to determine gas tariffs from 2017, reflect management's best estimates. The discount rate applied was calculated using market data and came out at 9.7%. The Group also recognized an impairment loss of €175 million (€133 million net of the tax effect) against its gas transportation business in Germany, following the decision by the German regulator (BNetza) to reduce grid fees applied by grid operators (pipe-in-pipe network partners) in Germany. The value in use of the Transportation Germany CGU was calculated using cash flow forecasts through to 2022 and a terminal value reflecting the estimated value of the regulated asset base in 2023. The discount rate applied was 5.1%. The impairment loss was charged against goodwill allocated to the Transportation Germany CGU in an amount of €27 million, and to property, plant and equipment and intangible assets relating to the Megal network in an amount of €148 million.

5.2.2 Impairment of property, plant and equipment and intangible assets (excluding goodwill)

The impairment losses recorded at December 31, 2010 result chiefly from the portfolio of long-term gas supply contracts (€548 million) and of certain Exploration & Production assets in the Global Gas & LNG business line (€95 million), a power production unit in Spain within the Energy Europe business area (€131 million), and the Megal gas transportation network in the Infrastructures business line (€148 million), as described in section 5.2.1.

The Group recognized an impairment loss of €548 million against its long-term gas supply contract portfolio to reflect the persistent spread between gas and oil prices in a market where gas supplies exceed demand. The intangible asset corresponding to this portfolio of supply contracts results chiefly from the amount assigned to these contracts when accounting for the business combinations between SUEZ and Gaz de France in 2008. The recoverable amount of this asset portfolio was determined on the basis of cash flow forecasts over the residual useful lives of the contracts, applying, given the nature of the underlying assets, a low scenario with regard to assumptions of recorrelation of gas and oil prices (see note 9.3.2). A 7.0% discount rate was used.

Due to worse-than-expected development prospects, the Group recognized impairment losses against certain exploration licenses and production assets in Egypt, Libya and the Gulf of Mexico, for a total of €95 million.

An impairment loss totaling €131 million was recognized against a power production unit in Spain due to its worsening economic outlook. The value in use of this asset was calculated using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee, and beyond this period using the future cash flows estimated until the end of the asset's useful life. A 7.7% discount rate was applied to these forecasts.

In 2009, the Group recognized €177 million in impairment losses against its exploration licenses in the Gulf of Mexico and Libya. It also recognized a €113 million impairment loss after the project for a second coal station at Brunsbüttel-Stade in Germany was abandoned.

5.2.3 Impairment of financial assets

At June 30, 2010, the Group recognized additional impairment losses of €46 million against Gas Natural shares (see Note 14.1.1, "Available-for-sale securities"). These securities were subsequently sold in the second half of the year (see Note 14.1.1). Other impairment losses recognized against available-for-sale securities are not material on an individual basis.

Impairment losses recognized in 2009 chiefly concerned Gas Natural shares for €33 million.

5.3 Restructuring costs

Restructuring costs recognized in 2010 result from measures taken to adapt to the economic conditions in the SUEZ Environnement (€83 million) and Energy Services (€86 million) business lines. They also include the costs of regrouping sites in Brussels (€16 million).

In 2009, restructuring costs also related to measures taken to adapt to the economic conditions in the SUEZ Environnement and Energy Services business lines. They also included the costs of integrating Cofathec's activities within the Energy Services business line.

5.4 Changes in scope of consolidation

At December 31, 2010, this item comprises capital gains on the disposal of Fluxys shares (€422 million) and Elia shares (€238 million), and of interests in Société des Eaux de Marseille and Société des Eaux d'Arles in connection with the unwinding of cross-shareholdings with the Veolia Environnement group (€81 million), as described in Note 2, "Main changes in Group structure". This item also includes the impacts of remeasuring the interests previously held (i) in power and transmission assets in Chile (€148 million); (ii) in Lyonnaise des Eaux following the acquisition of controlling interests as part of the unwinding of the cross-shareholdings with the Veolia Environnement group (€120 million); and (iii) in connection with the acquisition of a controlling interest in the Hisusa/Agbar group (€167 million). These transactions are described in further detail in Note 2, "Main changes in Group structure".

	Section of Note 2	Net gains on disposals	Sale/ acquisition costs	Fair value adjustments	Total
			(in millions of euros)		
Transactions in the year ended December 31, 2010					
Acquisition of a controlling interest in the Hisusa/Agbar group	2.1.1		(9)	167	158
Merger between Chilean entities	2.1.2	19	(2)	148	165
Partial disposal of Central Termoelectrica Andina (CTA)		18			18
Unwinding of cross-shareholdings with Véolia	2.1.3	81		120	201
Disposal of shareholdings in Fluxys group and Fluxys LNG	2.1.5	422	(3)		419
Disposal of Elia	2.1.6	238	(4)		234
Other					(10)
Total impact of changes in scope of consolidation					**1,185**

At December 31, 2009, this caption only included disposal gains and losses, the most significant of which related to partial sales of the Group's interests in Walloon inter-municipal companies and in the Fluxys group.

5.5 Other non-recurring items

At December 31, 2010, this caption mainly reflects the impact on revisions to the timing of dismantling provisions for gas infrastructures in France (Transportation and Distribution) for €1,141 million.

These provisions cover obligations to secure distribution and transportation networks at the end of their operating life, which are estimated based on known global gas reserves.

The Group revised the timing of its legal obligations in 2010 to reflect recent studies of gas reserves. Based on the publication of the International Energy Agency, which, on the basis of current production levels, estimated that proven and probable gas reserves were assured for another 250 years, the discounting of these provisions over such a long period results in a present value of virtually zero. These dismantling provisions had been recognized in 2008 in connection with the SUEZ-Gaz de France business combination, but with no matching entry in assets due to their nature. Accordingly, the provision for dismantling gas infrastructures in France was written back through income.

Other non-recurring items also include gains and losses on sales of VNG and Gas Natural non-consolidated equity investments.

In 2009, this caption consisted primarily of capital gains on the sale of 250 MW in production capacity to SPE and on the sale of the Langerloo and Vilvoorde power stations to E.ON. It also includes the impact of certain proceedings initiated against the Group by the European Commission. Following the European Commission's decision in the E.ON/GDF case handed down on July 8, 2009, the Group had adjusted the provision recognized in connection with the allocation of the cost of the Gaz de France-SUEZ business combination to the assets, liabilities and contingent liabilities of Gaz de France, considering actions taken in this case since the merger. The Group had also recognized the fine handed down by the European Commission relating to the Compagnie Nationale du Rhône case.

NOTE 6 NET FINANCIAL INCOME/(LOSS)

	As of December 31,					
	2010			2009		
	Expenses	Income	Total	Expenses	Income	Total
	(in millions of euros)					
Cost of net debt	(1,858)	171	(1,686)	(1,707)	441	(1,266)
Other financial income and expenses(1)	(953)	417	(535)	(931)	569	(362)
Net financial income/(loss)	**(2,810)**	**589**	**(2,222)**	**(2,638)**	**1,010**	**(1,628)**

(1) The return on plan assets relating to post-employment benefit obligations deducted from "Unwinding of discounting adjustments to provisions" has been reclassified to "Other Financial income". Comparative data for 2009 have been restated so as to present a meaningful comparison between the two periods presented.

6.1 Cost of net debt

The main items of the cost of net debt break down as follows:

	Expenses	Income	Total December 31, 2010	December 31, 2009
	(in millions of euros)			
Interest on gross borrowings	(2,074)	–	(2,074)	(1,917)
Foreign exchange gains/losses on borrowings and hedges	–	16	16	(39)
Gains and losses on hedges of borrowings	(126)	–	(126)	265
Gains and losses on cash and cash equivalents and financial assets at fair value through income	–	156	156	176
Capitalized borrowing costs	342	–	342	249
Cost of net debt	**(1,858)**	**171**	**(1,686)**	**(1,266)**

The increase in cost of net debt is essentially attributable to:

- the increase in interest on gross borrowings resulting from the increase in average outstanding debt (see Note 14.3, "Net debt");
- negative changes in fair value of derivative instruments (not qualifying for hedge accounting) set up in prior periods to fix the cost of net debt (decrease in interest rates compared to 2009).

6.2 Other financial income and expenses

	As of December 31,	
	2010	2009
	(in millions of euros)	
Other financial expenses		
Unwinding of discounting adjustments to provisions(1)	**(791)**	**(763)**
Interest on trade and other payables	(86)	(81)
Exchange losses	(43)	(75)
Other financial expenses	(32)	(12)
Total	**(953)**	**(931)**
Other financial income		
Expected return on plan assets(1)	204	161
Income from available-for-sale securities	128	235
Interest income on trade and other receivables	50	74
Interest income on loans and receivables at amortized cost	21	87
Other financial income	14	13
Total	**417**	**569**
Other financial income and expenses, net	**(535)**	**(362)**

(1) The return on plan assets relating to post-employment benefit obligations deducted from "Unwinding of discounting adjustments to provisions" has been reclassified to "Other financial income". Comparative data for 2009 have been restated so as to present a meaningful comparison between the two periods presented.

NOTE 7 INCOME TAX EXPENSE

7.1 Actual income tax expense

7.1.1 Breakdown of actual income tax expense

The income tax expense recognized in the income statement for 2010 amounts to €1,913 million (€1,719 million in 2009), breaking down as:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Current income taxes	(2,164)	(1,640)
Deferred taxes	251	(79)
Total income tax expense recognized in income for the year	**(1,913)**	**(1,719)**

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:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Net income	**5,626**	**5,231**
Share in net income of associates	264	403
Income tax expense	(1,913)	(1,719)
Income before income tax expense and share in net income of associates (A)	**7,275**	**6,547**
Of which French companies	*2,010*	*1,841*
Of which companies outside France	*5,265*	*4,706*
Statutory income tax rate in France (B)	34.43%	34.43%
Theoretical income tax expense (C) = (A) X (B)	**(2,505)**	**(2,254)**
Actual income tax expense		
Difference between statutory tax rate applicable in France and statutory tax rate in force in jurisdictions outside France	125	146
Permanent differences	(117)	(73)
Income taxed at a reduced rate or tax-exempt (a)	770	477
Additional tax expense (b)	(299)	(349)
Effect of unrecognized deferred tax assets on tax loss carry-forwards and other tax-deductible temporary differences	(220)	(106)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	91	140
Impact of changes in tax rates	19	20
Tax credits	199	198
Other (c)	23	82
Actual income tax expense	**(1,913)**	**(1,719)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates)	**26.3%**	**26.3%**

(a) Includes mainly capital gains on tax-exempt disposals of shares in Belgium and Germany, the impacts of lower tax rates applicable to securities transactions in France, special tax regimes used for the coordination centers in Belgium and certain entities in Thailand, and the remeasurement of previously-held equity stakes further to acquisitions of controlling interests in Spain, France, Chile and Thailand.

(b) Includes mainly the tax on dividends applied in several tax jurisdictions, the tax on nuclear activities payable by nuclear-sourced electricity utilities in Belgium (€212 million in 2010 and €213 million in 2009), and regional corporate taxes.

(c) Includes notably a deferred tax asset in the amount of €118 million recognized further to the reorganization of the engineering business in 2009.

7.1.3 Analysis of the deferred tax income/expense recognized in the income statement, by type of temporary difference

	Impacts in the income statement	
	As of December 31,	
	2010	2009
	(in millions of euros)	
Deferred tax assets:		
Tax loss carry-forwards and tax credits	170	(41)
Pension obligations	35	18
Non-deductible provisions	106	2
Difference between the carrying amount of PP&E and intangible assets and their tax bases	20	160
Measurement of financial instruments at fair value (IAS 32/39)	(61)	156
Other	226	22
Total	**496**	**317**

	Impacts in the income statement	
	As of December 31,	
	2010	2009
	(in millions of euros)	
Deferred tax liabilities:		
Difference between the carrying amount of PP&E and intangible assets and their tax bases	(118)	(76)
Tax-driven provisions	(38)	(13)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	146	(35)
Other	(235)	(272)
Total	**(245)**	**(396)**
Net deferred tax assets/(liabilities)	**251**	**(79)**

7.2 Deferred tax income and expense recognized in "Other comprehensive income"

Net deferred tax income (expense) recognized under "Other comprehensive income" is broken down by component as follows:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Available-for-sale financial assets	(5)	5
Actuarial gains and losses	158	(50)
Net investment hedges	12	(3)
Cash flow hedges	(144)	(329)
Total excluding share of associates	**21**	**(377)**
Share of associates	(1)	7
Total	**20**	**(370)**

7.3 Deferred taxes presented in the combined statement of financial position

7.3.1 Change in deferred taxes

Changes in deferred taxes recognized in the combined statement of financial position, after netting deferred tax assets and liabilities by tax entity, break down as follows:

	Assets	Liabilities	Net position
		(in millions of euros)	
At December 31, 2009	**1,419**	**(11,856)**	**(10,437)**
Impact on net income for the year	496	(245)	251
Impact on other comprehensive income	181	(158)	23
Impact of changes in scope of consolidation	128	(635)	(507)
Currency effect	137	(235)	(98)
Other	131	(131)	0
Impact of netting by tax entity	(823)	823	0
At December 31, 2010	**1,669**	**(12,437)**	**(10,768)**

7.3.2 Analysis of the net deferred tax position recognized in the combined statement of financial position (before netting deferred tax assets and liabilities by tax entity), by type of temporary difference

	Statement of financial position at December 31, 2010	2009
	(in millions of euros)	
Deferred tax assets:		
Tax loss carry-forwards and tax credits	1,453	1,301
Pension obligations	1,171	1,023
Non-deductible provisions	686	495
Difference between the carrying amount of PP&E and intangible assets and their tax bases	994	715
Measurement of financial instruments at fair value (IAS 32/39)	569	474
Other	879	671
Total	**5,752**	**4,679**
Deferred tax liabilities:		
Difference between the carrying amount of PP&E and intangible assets and their tax bases	(14,688)	(13,543)
Tax-driven provisions	(264)	(224)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(539)	(425)
Other	(1,029)	(924)
Total	**(16,520)**	**(15,116)**
Net deferred tax assets/(liabilities)	**(10,768)**	**(10,437)**

7.4 Unrecognized deferred taxes

7.4.1 Unrecognized deductible temporary differences

At December 31, 2010, unused tax loss carry-forwards not recognized by the Group amounted to €1,775 million in respect of ordinary tax losses (unrecognized deferred tax asset effect of €783 million). All tax loss carry-forwards resulting from the GDF SUEZ SA and SUEZ Environment tax consolidation groups are recognized in the statement of financial position.

Following a decision issued by the European Court of Justice on February 12, 2009 in the Cobelfret case, Belgium was sanctioned for its dividends received deduction (DRD) regime. Dividends received from subsidiaries are now required to be carried forward. As some Group entities are not expected to have sufficient taxable profits over the medium-term, they did not recognize deferred tax assets on these tax loss carry-forwards. These ordinary tax losses, excluding those of SUEZ-Tractebel SA and GDF SUEZ Belgium (these two companies stem from the SUEZ-Tractebel SA spin-off in 2010) are included in the table below. Due to a lack of clarity in existing legal and administrative provisions in this area, particularly regarding the fate of tax loss carry-forwards in the event of a merger or spin-off for example, and in view of certain disputes currently in progress, the Group was unable to determine the exact amount of carry-forwards in respect of DRDs for SUEZ-Tractebel SA and GDF SUEZ Belgium as of the end of the reporting period.

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

	Ordinary tax losses
	(in millions of euros)
2011	110
2012	43
2013	48
2014 and beyond	1,574
Total	**1,775**

Furthermore, the Group has unrecognized State tax loss carry-forwards in the USA (tax effect of €26 million in 2010 and €37 million in 2009).

The tax effect of other tax-deductible temporary differences not recorded in the statement of financial position was €198 million in 2010 and €130 million in 2009.

7.4.2 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 in France).

NOTE 8 EARNINGS PER SHARE

	As of December 31,	
	2010	**2009**
Numerator *(in millions of euros)*		
Net income Group share (a)	**4,616**	**4,477**
Denominator *(in millions of shares)*		
Average number of shares outstanding	**2,188**	**2,189**
Impact of dilutive instruments		
Bonus share plan reserved for employees	5	7
Employee stock subscription and purchase plans	5	6
Diluted average number of shares outstanding	**2,197**	**2,203**
Earnings per share *(in euros)*		
Earnings per share	**2.11**	**2.05**
Diluted earnings per share	**2.10**	**2.03**

(a) The share in net income of SUEZ Environnement included in net income Group share for 2010 represents the share in income after deduction of the coupon attributable to holders of the SUEZ Environnement hybrid shares described in Note 16.8, "Non-controlling interests". The dilutive impact of these shares is therefore already taken into account in earnings per share.

Earnings per share for 2009 was calculated taking into account the impact of the stock dividend paid in the first half of 2009.

The Group's dilutive instruments included in the calculation of diluted earnings per share, and the number of shares outstanding over the period, are detailed in Note 23. Diluted earnings per share does not take into account the stock subscription options granted to employees at an exercise price higher than the average annual GDF SUEZ share price. The plans in questions are from 2000, 2001, 2007, 2008 and 2009 as described in Note 23.1.2, "Details of stock option plans in force". Although these instruments were accretive at December 31, 2010, changes in the average annual share price could make them dilutive in future periods.

NOTE 9 GOODWILL

9.1 Movements in the carrying amount of goodwill

	Gross amount	Impairment losses	Net amount
		(in millions of euros)	
At December 31, 2008	**27,739**	**(228)**	**27,510**
Acquisitions	1,261		
Impairment		(11)	

	Gross amount	Impairment losses	Net amount
		(in millions of euros)	
Disposals	(411)	0	
Translation adjustments	34	(11)	
Other	(385)	1	
At December 31, 2009	**28,238**	**(249)**	**27,989**
Acquisitions	754		
Impairment		(169)	
Disposals	(836)	23	
Translation adjustments	324	(15)	
Other	(514)	11	
At December 31, 2010	**27,966**	**(399)**	**27,567**

In 2010, "Acquisitions" mainly relate to the Group's acquisition of a controlling interest in the Hisusa/Agbar group (€394 million), and to the unwinding of the cross-shareholdings previously held by Lyonnaise des Eaux and the Veolia Environnement group (€203 million).

Changes in goodwill recorded under "Disposals" correspond chiefly to the derecognition of previously recognized goodwill in the Hisusa/Agbar group following the Group's acquisition of a controlling interest (€644 million) and the share of goodwill sold as part of the disposal of Elia shares (€155 million).

The Group recognized impairment losses against the goodwill of a gas distribution entity in Turkey (€134 million) and against goodwill assigned to the Infrastructures-Transmission Germany CGU (€27 million). Details are provided in Note 9.3, "Impairment testing of goodwill CGUs".

The negative amount of €514 million in "Other" mainly reflects the finalization of the opening statement of financial position of German entities acquired from E.ON in 2009 (€336 million).

Additions to goodwill in 2009 related mainly to acquisitions of German companies in connection with the agreements between Electrabel and E.ON (€453 million), and to the acquisition of Izgaz in Turkey (€179 million), Heron in Greece (€61 million), and the acquisition of an interest in Wuppertal Stadtwerke Energie und Wasser in Germany (€101 million). Goodwill was also recognized on the additional stake acquired in Swire Sita in Hong Kong (€169 million).

Disposals in 2009 included a portion of the goodwill allocated to the Energy - Benelux & Germany CGU in connection with various divestments made by this CGU (see notes 5.4 and 5.5). This chiefly concerns sales of shareholdings in inter-municipal companies in the Walloon region, the sale to SPE of 250 MW in production capacity, and the production capacity swap in Europe with E.ON.

Other changes in 2009 reflected the finalization of the opening statement of financial position for FirstLight (negative impact of €503 million) and Gaz de France (positive impact of €117 million).

9.2 Main goodwill CGUs

The table below provides a breakdown of goodwill by CGU:

CGU	Operating segment	As of December 31, 2010	As of December 31, 2009
		(in millions of euros)	
Material CGUS			
Energy - France	Energy - France	2,885	2,858
Energy - Benelux & Germany	Energy - Benelux & Germany	7,777	8,124
Midstream/Downstream	Global Gas & LNG	4,266	4,379
Distribution	Infrastructures	3,880	3,880
Other significant CGUS			

CGU	Operating segment	As of December 31, 2010	2009
		(in millions of euros)	
Storage	Infrastructures	1,268	1,268
Transmission France	Infrastructures	536	536
Energy - Eastern Europe	Energy - Europe	627	594
Energy - North America	Energy - North America	696	631
Sita France	Environnement	529	515
Agbar	Environnement	394	644
Other CGUS *(individually less than €500 million)*		4,710	4,561
Total		**27,567**	**27,989**

The scope of the Energy - Eastern Europe CGU was redefined in 2010 and now mainly excludes Turkey. Accordingly, the Turkey gas distribution CGU is now tested for impairment separately (see Note 9.3.1). The comparative amount for 2009 has also been restated.

Transmission infrastructure businesses are now monitored on a country-by-country basis. The comparative amount for 2009 has therefore been restated, so that the goodwill shown relates only to the Infrastructures-Transmission France CGU.

9.3 Impairment testing of goodwill CGUs

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 recoverable amount of CGUs is determined using a number of different methods including discounted cash flows and the regulated asset base (RAB). The discounted cash flows method uses cash flow forecasts covering an explicit period of six years and resulting from the medium-term business plan approved by the Group's Management Committee. When the discounted cash flow method is used, value in use is calculated on the basis of three scenarios ("low", "medium" and "high"). The "medium" scenario, which management deems the most probable, is usually preferred.

The recoverable amounts that result from applying these three scenarios are based on key assumptions such as discount rates.

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 risk-free market interest rates plus a country risk premium.

The post-tax rates used in 2010 to measure the value in use of goodwill CGUs in the cash flow forecasts were between 4.6% and 11.6% in 2010 (between 4.1% and 11.5% in 2009).

9.3.1 Impairment losses recognized against goodwill in 2010

The Group recognized impairment losses against a gas distribution entity in Turkey (€134 million) and against goodwill assigned to the Infrastructures-Transmission Germany CGU (€27 million). The rationale for recording these impairment losses and the methods used to calculate the recoverable amounts are set out in Note 5.2.1, "Impairment of goodwill".

Aside from these two CGUs, the Group considers that no other impairment losses need to be recognized against goodwill for other Group entities.

9.3.2 Material CGUs

Except for the Energy - France, Energy - Benelux & Germany, Midstream/Downstream and Distribution CGUs described below, no individual amount of goodwill allocated to CGUs represents more than 5% of the Group's total goodwill.

Based on events that are reasonably likely to occur as of the end of the reporting period, the Group considers that any changes in the key assumptions described below would not increase the carrying amount of goodwill in excess of the recoverable amount.

Goodwill allocated to the Energy - France CGU

The total amount of goodwill allocated to this CGU was €2,885 million at December 31, 2010. The Energy - France CGU comprises a range of activities including the production of electricity, the sale of gas, electricity and associated services, and the provision of eco-friendly solutions for housing.

The recoverable amount of the CGU is determined on the basis of the value in use of the group of assets, calculated primarily using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee. The key assumptions used are related to the expected operating conditions, according to the Group's Management Committee, in particular changes in regulatory rates, market prices, future market outlook and the applicable discount rates. The inputs used for each of these assumptions reflect past experience as well as best estimates of market prices.

The cash flows are projected either over the useful life of the underlying assets or over the term of the contracts associated with the activities of the entities included in the CGU.

The discount rates used range from 6.1% and 11.0% and reflect the weighted average cost of capital adjusted to reflect the business risks relating to the assets comprising the CGU.

An increase of 0.5% in the discount rate used would have a negative 21% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 24% impact on this calculation.

Goodwill allocated to the Energy - Benelux & Germany CGU

The total amount of goodwill allocated to this CGU was €7,777 million at December 31, 2010. This CGU includes the Group's electricity production, sales and distribution activities in Belgium, the Netherlands, Luxembourg and Germany.

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 the Group's Management Committee, covering a period of six years, and discount rates between 6.6% and 9.0%. A terminal value was obtained based on the cash flows extrapolated beyond the six-year period using a growth rate equal to expected inflation (2%).

Key assumptions include the discount rate and expected trends in long-term prices for electricity and fuel. These inputs 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.

An increase of 0.5% in the discount rate used would have a negative 54% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 64% impact on this calculation.

The impact of a decrease in average spreads of €1/MWh on the terminal value would have a negative 32% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. The impact of an increase in average spreads of €1/MWh on the terminal value would have a positive 32% impact on this calculation.

Goodwill allocated to the Midstream/Downstream CGU

The total amount of goodwill allocated to this CGU was €4,266 million at December 31, 2010. The Midstream/Downstream CGU includes Group entities that supply gas to the Group under supply contracts and by using organized markets, and markets energy offers and related energy services to the Group's largest customers in Europe.

The recoverable amount of the Midstream/Downstream CGU is also calculated on the basis of value in use, using cash flow forecasts. The discount rates applied to these forecasts range from 7.0% to 9.0% depending on business and country risks. The recoverable amount includes a terminal value for the period beyond six years, calculated by applying a long-term growth rate (ranging from 0% to 2% depending on the activities) to normative EBITDA in the last year of the forecasts.

The key assumptions notably include the discount rates, estimated hydrocarbon prices, changes in the euro/dollar exchange rate, the market outlook, and the expected period required for the realignment of oil and gas prices. The inputs used reflect the best estimates of market prices and expected market trends.

In the "medium" scenario, which management has retained in the medium-term business plan, the Group expects the realignment of oil and gas prices to occur as from 2013 (partially) – 2014 (fully). Should this realignment be postponed for two years compared to the "medium" scenario ("low" scenario), the excess of the recoverable amount over the carrying amount would decrease by 44%, the recoverable amount remaining above the carrying amount. Should the realignment occur one year before compared to the "medium" scenario ("high" scenario), the excess of the recoverable amount over the carrying amount would increase by 25%.

An increase of 0.5% in the discount rate used would have a negative 63% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 73% impact on this calculation.

A 0.5% increase in the long-term growth rate used to determine the terminal value would have a positive 48% impact on the excess of the recoverable amount over the carrying amount. A 0.5% decrease in the long-term growth rate would have a negative 42% impact on this calculation. However, the recoverable amount would remain above the carrying amount.

Goodwill allocated to the Distribution CGU

The total amount of goodwill allocated to this CGU was €3,880 million at December 31, 2010. The Distribution CGU includes the Group's gas distribution activities in France.

The recoverable amount of this CGU was calculated using a method based on the regulated asset base. The regulated asset base is the amount assigned by the regulator to assets operated by the distributor, and is the sum of future pre-tax cash flows, discounted at a rate equal to the pre-tax rate of return guaranteed by the regulator.

9.3.3 Other significant CGUs

The table below sets out the assumptions used to determine the recoverable amount of the other significant cash-generating units. The discounted cash flows (DCF) method is used to determine value in use. The recoverable amount of certain CGUs is calculated using the regulated asset base (RAB) or based on valuations used in recent transactions.

CGU	Operating segment	Measurement method	Discount rate
Energy - Eastern Europe	Energy - Europe	DCF + RAB	8.2% - 11.5%
Energy - North America	Energy - North America	DCF	6.1% - 10.3%
Storage	Infrastructures	DCF	6.2%
Transmission France	Infrastructures	DCF	5.5%
Sita France	Environnement	DCF	5.6%
Agbar	Environnement	DCF + confirmation by multiples	6.7% - 11.6%

9.4 Goodwill segment information

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

	As of December 31, 2010	As of December 31, 2009
	(in millions of euros)	
Energy – France	2,885	2,858
Energy - Europe & International	10,292	10,558
of which: Energy - Benelux & Germany	7,777	8,124
Energy – Europe	1,286	1,377
Energy - North America	696	631
Energy - Latin America	52	31
Energy - Middle East, Asia & Africa	481	396
Global Gas & LNG	4,331	4,462
Infrastructures	5,773	5,955
Energy Services	1,157	1,073
Environnement	3,128	3,082
Other	1	1
Total	**27,567**	**27,989**

NOTE 10 INTANGIBLE ASSETS, NET

10.1 Movements in intangible assets

	Intangible rights arising on concession contracts	Capacity entitlements	Other	Total
	(in millions of euros)			
Gross amount				
At December 31, 2008	**3,573**	**2,390**	**8,704**	**14,667**
Acquisitions	398	15	803	1,216
Disposals	(8)	0	(188)	(196)
Translation adjustments	6	0	(2)	4
Changes in scope of consolidation	241	0	282	522
Other	184	0	(79)	105
At December 31, 2009	**4,394**	**2,405**	**9,520**	**16,319**
Acquisitions	501	1	770	1,272
Disposals	(66)	0	(143)	(209)
Translation adjustments	63	0	96	159
Changes in scope of consolidation	427	0	922	1,349
Other	(15)	18	86	89
At December 31, 2010	**5,304**	**2,424**	**11,251**	**18,979**
Accumulated amortization and impairment				
At December 31, 2008	(1,606)	(555)	(1,814)	(3,975)
Amortization and impairment	(162)	(86)	(677)	(925)
Disposals	4	0	84	88
Translation adjustments	3	0	9	12
Changes in scope of consolidation	(35)	0	(61)	(97)
Other	(16)	(24)	39	(2)
At December 31, 2009	**(1,812)**	**(665)**	**(2,421)**	**(4,899)**

	Intangible rights arising on concession contracts	Capacity entitlements	Other	Total
	(in millions of euros)			
Amortization and impairment	(174)	(88)	(1,524)	(1,786)
Disposals	35	0	40	75
Translation adjustments	(15)	0	(39)	(55)
Changes in scope of consolidation	162	0	271	433
Other	16	0	16	32
At December 31, 2010	**(1,789)**	**(753)**	**(3,657)**	**(6,199)**
Carrying amount				
At December 31, 2009	**2,582**	**1,740**	**7,099**	**11,420**
At December 31, 2010	**3,515**	**1,671**	**7,594**	**12,780**

In 2010, acquisitions correspond mainly to the price paid to secure concession contracts in the Environnement (€338 million, including €201 million for Agbar) and Energy Services (€161 million) business lines, and to exploration and production licenses in Australia (€257 million). Changes in scope of consolidation in 2010 correspond to the Group's acquisition of controlling interests in the Hisusa/Agbar group (€1,020 million) and Chilean energy entities (€348 million), as well as the unwinding of the cross-shareholdings in the Water segment in France (€192 million).

Impairment losses totaling €751 million were recognized in the period, mainly relating to impairment recognized on the long-term gas supply contracts portfolio in the Global Gas & LNG business line, for €548 million. In light of development prospects, the Group recognized impairment losses totaling €84 million against its exploration licenses mainly in Egypt, Libya and the Gulf of Mexico (see Note 5.2.2, "Impairment of property, plant and equipment and intangible assets (excluding goodwill)").

In 2009, acquisitions relate mainly to intangible rights arising on concession contracts in the Environnement business line (€241 million) and on exploration licenses in Indonesia (€101 million) and Algeria (€104 million).

10.1.1 Intangible rights arising on concession contracts

The Group manages a number of concessions as defined by SIC 29 (see Note 22, "Service concession arrangements") covering drinking water distribution, water treatment, waste collection and treatment, and electricity distribution. The rights given to the Group as concession operator in respect of these infrastructures fall within the scope of IFRIC 12 and are accounted for as intangible assets in accordance with the intangible asset model.

10.1.2 Capacity entitlements

The Group has acquired capacity entitlements from power stations operated by third parties. These power station capacity rights were acquired in connection with transactions or within the scope of the Group's involvement in financing the construction of certain power stations. In consideration, the Group received the right to purchase a share of the production over the useful life of the underlying 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 plant (VPP) in Italy.

10.1.3 Other

At end-2010, this caption chiefly relates to water drawing rights, licenses and intangible assets acquired as a result of the merger with Gaz de France, essentially comprising the Gaz de France brand and customer relationships, as well as supply agreements. The exploration and production licenses presented under "Other" in the table above are detailed in Note 19, "Exploration & Production activities".

10.1.4 Non-amortizable intangible assets

The carrying amount of intangible assets that are not amortized because they have an indefinite useful life was €1,007 million at December 31, 2010 (€737 million at end-2009). This caption relates chiefly to water drawing rights, certain Agbar water distribution concessions 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.

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 (excluding technical assistance costs) that do not meet the criteria for recognition as an intangible asset as set out in IAS 38, totaled €222 million in 2010 and €218 million in 2009. Expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset are not material.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT, NET

11.1 Movements in property, plant and equipment

	Land	Buildings	Plant and equipment	Vehicles	Dismantling costs	Assets in progress	Other	Total
				(in millions of euros)				
Gross amount								
At December 31, 2008	**1,954**	**7,277**	**68,724**	**1,648**	**1,001**	**7,035**	**1,306**	**88,946**
Acquisitions	104	100	1,591	123	0	6,474	76	8,467
Disposals	(70)	(58)	(1,193)	(104)	(21)	7	(47)	(1,486)
Translation adjustments	70	451	488	18	24	161	3	1,215
Changes in scope of consolidation	1	253	528	8	0	101	11	901
Other	278	194	3,863	31	67	(4,007)	(108)	317
At December 31, 2009	**2,337**	**8,216**	**74,002**	**1,723**	**1,072**	**9,770**	**1,241**	**98,360**
Acquisitions	87	174	1,235	150	0	6,548	103	8,297
Disposals	(42)	(51)	(380)	(87)	(26)	(147)	(48)	(780)
Translation adjustments	70	244	1,811	36	18	412	18	2,609
Changes in scope of consolidation	318	126	2,129	(20)	3	53	(107)	2,501
Other	167	(2,895)	8,772	(10)	581	(6,019)	(32)	563
At December 31, 2010	**2,937**	**5,813**	**87,568**	**1,791**	**1,648**	**10,618**	**1,175**	**111,551**
Accumulated depreciation and impairment								
At December 31, 2008	**(864)**	**(2,101)**	**(19,920)**	**(1,037)**	**(674)**	**(33)**	**(835)**	**(25,463)**
Depreciation and impairment	(91)	(378)	(3,595)	(160)	(56)	(141)	(88)	(4,509)
Disposals	47	52	891	97	11	2	42	1,140
Translation adjustments	(37)	(107)	(127)	(11)	(14)	1	(2)	(297)
Changes in scope of consolidation	3	8	193	(5)	0	0	(3)	197
Other	(13)	(32)	179	20	1	1	82	238
At December 31, 2009	**(956)**	**(2,558)**	**(22,378)**	**(1,097)**	**(732)**	**(170)**	**(804)**	**(28,695)**
Depreciation and impairment	(89)	(368)	(4,323)	(165)	(75)	(137)	(179)	(5,336)
Disposals	34	23	241	75	(0)	119	40	531
Translation adjustments	(31)	(54)	(481)	(22)	(13)	(2)	(11)	(614)
Changes in scope of consolidation	0	91	880	22	(2)	0	89	1,082
Other	12	593	(555)	30	(10)	52	62	184
At December 31, 2010	**(1,029)**	**(2,273)**	**(26,616)**	**(1,158)**	**(832)**	**(139)**	**(802)**	**(32,848)**
Carrying amount								
At December 31, 2009	**1,381**	**5,658**	**51,623**	**626**	**340**	**9,600**	**437**	**69,665**
At December 31, 2010	**1,908**	**3,540**	**60,953**	**634**	**817**	**10,479**	**373**	**78,703**

Changes in the scope of consolidation had a net impact of €3,583 million on property, plant and equipment. These changes mainly reflect the acquisition of a controlling interest in the Hisusa/Agbar group, Chilean energy entities (€698 million) and Astoria Energy in the United States (€807 million).

The main impacts of exchange rate fluctuations on the gross amount of property, plant and equipment at December 31, 2010 chiefly consist of translation gains on the US dollar (€899 million), Brazilian real (€680 million), Thai baht (€307 million) and Norwegian krone (€182 million).

Impairment losses recorded against property, plant and equipment at December 31, 2010, amounted to €468 million, and were chiefly recognized against power production assets in Spain and the Megal gas transportation network in Germany, as described in Note 5.2.2, “Impairment of property, plant and equipment and intangible assets (excluding goodwill)”.

The increase in dismantling assets mainly reflects the review of provisions for dismantling nuclear facilities in Belgium for €211 million, further to the opinion communicated by the Nuclear Provisions Committee on November 22, 2010 in the context of its legal obligation to conduct triennial reviews of nuclear provisions (see Note 17.2, “Nuclear dismantling liabilities”).

Assets relating to the exploration and production of mineral resources included in the table above are detailed in Note 19, “Exploration & Production activities”. Fields under development are shown under “Assets in progress”, while fields in production are included in “Plant and equipment”.

11.2 Pledged and mortgaged assets

Items of property, plant and equipment pledged by the Group to guarantee borrowings and debt amount to €3,538 million at December 31, 2010, versus €2,596 million at December 31, 2009.

11.3 Contractual commitments to purchase property, plant and equipment

In the ordinary course of their operations, some Group companies have 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.

Investment commitments made by the Group to purchase property, plant and equipment totaled €5,956 million at December 31, 2010 (€5,876 million at end-2009). The year-on-year increase in this item is chiefly attributable to new agreements entered into in connection with the construction of the Rotterdam (€696 million) and Chilca One (€211 million) plants, the Bristol Water project and changes in the scope of consolidation relating to the acquisition of a controlling interest in the Hisusa/Agbar group (€358 million). These impacts are partly offset by a power station construction project in Spain which has been abandoned (negative impact of €470 million) and by commitments complied with in respect of investment programs.

11.4 Other information

Borrowing costs for 2010 included in the cost of property, plant and equipment amounted to €342 million at December 31, 2010 and €249 million at end-2009.

NOTE 12 INVESTMENTS IN ASSOCIATES

12.1 Breakdown of investments in associates

	Carrying amount of investments in associates		Share in net income (loss) of associates	
	As of December 31,			
	2010	2009	2010	2009
	(in millions of euros)			
Belgian inter-municipal companies	416	510	184	190
Elia	0	(86)	0	23
Fluxys	0	242	0	57
Gasag	468	463	20	19
GTT	117	132	(3)	8
Noverco	229	157	10	10
Other	750	757	54	95
Total	**1,980**	**2,176**	**264**	**403**

The decrease in the carrying amount of investments in associates at December 31, 2010 is essentially attributable to the disposal of Elia and Fluxys shares during the first half of 2010 and share capital repayments made by inter-municipal companies in 2010.

Dividends received by the Group from associates in 2010 and 2009 amounted to €273 million and to €376 million, respectively.

Goodwill recognized by the Group on acquisitions of associates is also included in "Investments in associates" for a net amount of €206 million at December 31, 2010 (€280 million at December 31, 2009).

At December 31, 2010, total unrecognized losses of associates (corresponding to the cumulative amount of losses exceeding the carrying amount of the investments in the associates concerned and including other comprehensive income or expense), amounted to €241 million. These unrecognized losses mainly correspond to the negative fair value of financial instruments designated as interest rate hedges ("Other comprehensive income") used in financing constructions of power and desalination plants by associates in the Middle East.

12.2 Key figures of associates

	Latest % interest	Total assets	Liabilities	Equity	Revenues	Net income
			(in millions of euros)			
At December 31, 2010						
Belgian inter-municipal companies (a)		11,735	6,901	4,834	2,827	585
Noverco Group	17.6	4,393	3,090	1,304	1,271	58
Gasag Group	31.6	2,763	2,002	761	1,162	73
GTT	40.0	126	59	67	77	19
At December 31, 2009						
Belgian inter-municipal companies (a)		11,671	5,911	5,760	2,493	681
Elia	24.4	4,420	3,053	1,367	771	84
Fluxys (b)	38.5	2,664	1,378	1,287	592	111
GTT	40.0	133	59	75	142	66

(a) Based on the combined financial data for the previous financial year of the Belgian inter-municipal companies, which have been restated in accordance with IFRS.

(b) Based on data reported by Fluxys in 2008.

NOTE 13 INVESTMENTS IN JOINT VENTURES

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

	Consolidation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net income/(loss)
	(in millions of euros)						
At December 31, 2010							
EFOG	22.5	135	334	5	171	166	76
Energia Sustentavel Do Brasil	50.1	271	1,224	77	849	0	5
Acea/Electrabel group	40.6(a)	472	734	739	150	1,291	26
SPP group	24.5	277	1,705	92	350	737	144
WSW Energie und Wasser	33.1	42	307	53	73	170	6
Senoko	30.0	90	773	51	539	524	9
Tirreno Power	35.0	146	569	143	411	308	15
At December 31, 2009							
EFOG	22.5	131	348	13	173	148	59
Energia Sustentavel Do Brasil	50.1	121	472	22	69	0	4
Acea/Electrabel group	40.6(a)	417	718	681	158	1,103	(2)
Hisusa group	51.0(b)	948	2,886	939	1,026	1,697	27
SPP group	24.5	244	1,644	115	199	661	138
WSW Energie und Wasser	33.1	59	305	44	46	186	7
Senoko	30.0	77	653	34	131	374	6
Sociedad GNL Mejillones	50.0	20	171	143	51	0	(56)
Tirreno Power	35.0	127	565	132	416	319	33

(a) Consolidation percentage applicable to the holding companies.

(b) In 2009, Agbar and its controlled subsidiaries were fully consolidated by the Hisusa group, which was proportionately consolidated by GDF SUEZ based on a 51% interest.

The Hisusa group was fully consolidated at June 8, 2010, following the acquisition of the Hisusa/Agbar group by SUEZ Environnement. This transaction is described in further detail in Note 2, "Main changes in Group structure".

GNL Mejillones has been fully consolidated since November 9, 2010.

NOTE 14 FINANCIAL INSTRUMENTS

14.1 Financial assets

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

	As of December 31,					
	2010			2009		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Available-for-sale securities	3,252		3,252	3,563		**3,563**
Loans and receivables at amortized cost	2,794	22,366	25,159	2,426	20,696	**23,122**
Loans and receivables at amortized cost (excluding trade and other receivables)	2,794	1,032	3,825	2,426	947	3,373
Trade and other receivables, net		21,334	21,334		19,748	19,748
Financial assets at fair value through income	2,532	7,452	**9,984**	1,927	9,085	**11,011**
Derivative instruments	2,532	5,739	8,271	1,927	7,405	9,331
Financial assets at fair value through income (excluding derivatives)		1,713	1,713		1,680	1,680
Cash and cash equivalents		11,296	**11,296**		10,324	**10,324**
Total	**8,578**	**41,113**	**49,691**	**7,916**	**40,104**	**48,020**

14.1.1 Available-for-sale securities

	In millions of euros
At December 31, 2008	**3,309**
Acquisitions	879
Disposals (carrying amount of disposal)	(546)
Changes in fair value recorded in equity	(23)
Changes in fair value recorded in income	(66)
Changes in scope of consolidation, foreign currency translation and other changes	10
At December 31, 2009	**3,563**
Acquisitions	518
Disposals (carrying amount of disposal)	(648)
Changes in fair value recorded in equity	(126)
Changes in fair value recorded in income	(69)
Changes in scope of consolidation, foreign currency translation and other changes	14
At December 31, 2010	**3,252**

The Group's available-for-sale securities amounted to €3,252 million at December 31, 2010, breaking down as €1,131 million of listed securities and €2,121 million of unlisted securities (respectively, €1,404 million and €2,159 million at December 31, 2009).

Acquisitions during the period relate mainly to the 9% stake purchased in the Nord Stream AG gas pipeline project for €238 million, as well as to acquisitions by Synatom of various SICAV money market funds and bonds in connection with its investment obligations.

Sales in 2010 relate mainly to the sale of Gas Natural shares for €555 million and to the sale of shares in VNG.

Following the fall in the Gas Natural share price in the first half of the year, the Group reversed revaluation gains carried in equity at December 31, 2009 for €103 million, and recognized an additional €46 million impairment loss against income.

In 2009, most impairment losses recognized concerned Gas Natural shares.

14.1.1.1 Gains and losses on available-for-sale securities recognized in equity or income

The table below shows gains and losses on available-for-sale securities recognized in equity or income:

		Remeasurement post acquisition			
	Dividends	**Change in fair value**	**Foreign currency translation**	**Impairment**	**Net gains on disposals**
			(in millions of euros)		
Equity*		(125)	38		
Income	128			(69)	178
Total at December 31, 2010	**128**	**(125)**	**38**	**(69)**	**178**
Equity*		(23)	(17)		
Income	229			(66)	101
Total at December 31, 2009	**229**	**(23)**	**(17)**	**(66)**	**101**

* Excluding the tax effect

Net gains on disposals totaling €178 million chiefly include the capital gains on the sales of VNG and Gas Natural shares.

Gains and losses initially recognized in equity and reclassified to income following the disposal of available-for-sale securities totaled €27 million in 2010.

14.1.1.2 Analysis of available-for-sale securities in connection with impairment tests

The Group reviewed the value of its available-for-sale securities on a case-by-case basis, in order to determine whether, in light of the current market environment, any impairment losses should be recognized.

An example of an impairment indicator for listed securities is when the value of any such security falls below 50% of its historical cost or remains below its historical cost for more than 12 months.

Based on these criteria, an impairment loss of €46 million was recognized against Gas Natural shares in the first half of 2010.

The Group considers that no available-for-sale securities suffered a significant decline in value, with the exception of Gas Natural shares in first-half 2010.

14.1.2 Loans and receivables at amortized cost

	As of December 31,					
	2010			**2009**		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
			(in millions of euros)			
Loans and receivables at amortized cost (excluding trade and other receivables)	2,794	1,032	3,825	2,426	947	3,373
Loans granted to affiliated companies	*932*	*230*	*1,162*	*1,285*	*332*	*1,617*
Other receivables at amortized cost	*1,157*	*150*	*1,307*	*485*	*326*	*812*
Amounts receivable under concession contracts	*315*	*453*	*768*	*202*	*116*	*319*
Amounts receivable under finance leases	*389*	*198*	*588*	*454*	*172*	*626*
Trade and other receivables		21,334	21,334		19,748	19,748
Total	**2,794**	**22,366**	**25,159**	**2,426**	**20,696**	**23,122**

The table below shows impairment losses taken against loans and receivables at amortized cost:

	As of December 31,					
	2010			2009		
	Gross	Allowances and impairment	Net	Gross	Allowances and impairment	Net
	(in millions of euros)					
Loans and receivables at amortized cost (excluding trade and other receivables)	4,224	(399)	3,825	3,837	(464)	3,373
Trade and other receivables, net	22,425	(1,091)	21,334	20,915	(1,167)	19,748
Total	**26,649**	**(1,490)**	**25,159**	**24,752**	**(1,630)**	**23,122**

Net gains and losses recognized in the consolidated income statement with regard to loans and receivables at amortized cost (including trade and other receivables) break down as follows:

		Remeasurement post acquisition	
	Interest income	Foreign currency translation	Impairment
	(in millions of euros)		
At December 31, 2009	186	(52)	(208)
At December 31, 2010	**101**	**(43)**	**(19)**

Loans and receivables at amortized cost (excluding trade and other receivables)

"Loans and receivables at amortized cost" include the receivable due to the Group from the ESO/Elia group amounting to €534 million at December 31, 2010 and €454 million at December 31, 2009.

At December 31, 2010 and December 31, 2009, no material impairment losses had been recognized against loans and receivables at amortized cost (excluding trade and other receivables).

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.

Impairment losses recognized against trade and other receivables amounted to €1,091 million at end-2010 compared with €1,167 million at end-2009. This decrease results chiefly from the decline in impairment of trade receivables in 2010, and also from the impact of recognizing previously impaired doubtful receivables as bad debt.

14.1.3 Financial assets at fair value through income

	As of December 31,					
	2010			2009		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Derivative instruments	2,532	5,739	8,271	1,927	7,405	9,331
Derivatives hedging borrowings	*1,452*	*68*	*1,521*	*939*	*115*	*1,053*
Derivatives hedging commodities	*994*	*5,662*	*6,656*	*961*	*7,252*	*8,214*
Derivatives hedging other items	*86*	*9*	*94*	*27*	*38*	*65*
Financial assets at fair value through income (excluding derivatives)	0	1,555	1,555	0	1,609	1,609
Financial assets qualifying as at fair value through income	–	*1,511*	*1,511*	–	*1,560*	*1,560*
Financial assets designated as at fair value through income	–	*45*	*45*	–	*49*	*49*

	As of December 31,					
	2010			2009		
Margin calls on derivatives hedging borrowings – assets	–	157	157	–	71	71
Total	**2,532**	**7,452**	**9,984**	**1,927**	**9,085**	**11,011**

Financial assets qualifying as at fair value through income (excluding derivatives) 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 at fair value through income (excluding derivatives) held for trading purposes totaled €15 million in 2010 versus €26 million in 2009.

Gains and losses on financial assets designated as at fair value through income in 2010 were not material.

14.1.4 Cash and cash equivalents

Cash and cash equivalents totaled €11,296 million at December 31, 2010 (€10,324 million at December 31, 2009).

This caption includes €231 million of restricted cash at end-2010 compared with €149 million at end-2009.

Income recognized in respect of cash and cash equivalents came to €141 million for the year to December 31, 2010 and €149 million for the year to December 31, 2009.

14.1.5 Financial assets and equity instruments pledged as collateral

	As of December 31,	
	2010	2009
	(in millions of euros)	
Financial assets and equity instruments pledged as collateral	2,247	2,005

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:

- "Liabilities 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 within the following categories at December 31, 2010:

	As of December 31,					
	2010			2009		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Borrowings and debt	38,179	9,059	47,238	32,155	10,117	42,272
Derivative instruments	2,104	5,738	7,842	1,792	7,170	8,961
Trade and other payables	–	14,835	14,835	–	12,887	12,887
Other financial liabilities	780	–	780	911	–	911
Total	**41,063**	**29,632**	**70,694**	**34,858**	**30,174**	**65,032**

Advances and downpayments received and certain other accounts that were previously presented under “Trade and other payables” have been reclassified to “Other current liabilities” in the consolidated statement of financial position at December 31, 2010. In order to reflect this change in presentation, comparative data for 2009 have been restated.

14.2.1 Borrowings and debt

	As of December 31,					
	2010			2009		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Bond issues	23,975	921	24,896	20,606	1,060	21,666
Commercial paper		3,829	3,829		4,273	4,273
Drawdowns on credit facilities	1,286	302	1,588	260	920	1,180
Liabilities under finance leases	1,258	243	1,502	1,241	156	1,398
Other bank borrowings	9,767	1,110	10,877	7,832	1,663	9,495
Other borrowings	1,226	65	1,290	1,479	163	1,643
Total borrowings	**37,512**	**6,470**	**43,982**	**31,418**	**8,236**	**39,653**
Bank overdrafts and current accounts		1,741	1,741		1,357	1,357
Outstanding borrowings	**37,512**	**8,210**	**45,722**	**31,418**	**9,593**	**41,011**
Impact of measurement at amortized cost	621	191	812	636	244	880
Impact of fair value hedge	46	119	165	101	92	193
Margin calls on derivatives hedging borrowings – liabilities		539	539		189	189
Borrowings and debt	**38,179**	**9,059**	**47,238**	**32,155**	**10,117**	**42,272**

The fair value of gross borrowings and debt amounted to €47,531 million at December 31, 2010, compared with a net carrying amount of €47,238 million.

Financial income and expenses (mainly comprising interest) are recognized within gains and losses on borrowings and debt and are detailed in Note 6, “Net financial income/(loss)”.

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:

	As of December 31,					
	2010			2009		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Derivatives hedging borrowings	969	157	1,126	637	115	752
Derivatives hedging commodities	1,037	5,512	6,549	1,085	7,031	8,116
Derivatives hedging other items	98	69	166	70	24	93
Total	**2,104**	**5,738**	**7,842**	**1,792**	**7,170**	**8,961**

14.2.3 Trade and other payables

	As of December 31,	
	2010	2009
	(in millions of euros)	
Trade payables	13,458	11,722
Payable on fixed assets	1,377	1,165
Total	**14,835**	**12,887**

The carrying amount of these financial liabilities represents a reasonable estimate of their fair value.

14.2.4 Other financial liabilities

Other financial liabilities break down as follows:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Payables related to acquisitions of securities	643	775
Other	136	136
Total	**780**	**911**

Other financial liabilities chiefly relate to liabilities in respect of various counterparties resulting from put options granted by the Group to non-controlling shareholders of fully consolidated companies. These commitments to purchase equity instruments have therefore been recognized under liabilities (see Note 1.4.11.2), and concern:

- 33.20% of the capital of Compagnie Nationale du Rhône (CNR) in 2010 and 2009;
- 43.16% of the capital of Compagnie du Vent in 2010 and 2009;
- 49% of the capital of Gaselys in 2009 only (the Group purchased non-controlling interests in Gaselys in 2010).

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

The Group also holds call options on these shares as part of agreements entered into by the parties.

14.3 Net debt

	As of December 31,					
	2010			2009		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Outstanding borrowings and debt	37,512	8,210	45,722	31,418	9,593	41,011
Impact of measurement at amortized cost	621	191	812	636	244	880
Impact of fair value hedge (a)	46	119	165	101	92	193
Margin calls on derivatives hedging borrowings – liabilities		539	539		189	189
Borrowings and debt	**38,179**	**9,059**	**47,238**	**32,155**	**10,117**	**42,272**
Derivative instruments hedging borrowings under liabilities (b)	969	157	1,126	637	115	752
Gross debt	**39,148**	**9,216**	**48,364**	**32,791**	**10,232**	**43,024**
Financial assets at fair value through income	0	(1,555)	(1,555)	0	(1,609)	(1,609)
Margin calls on derivatives hedging borrowings – assets		(157)	(157)		(71)	(71)
Cash and cash equivalents	0	(11,296)	(11,296)	0	(10,324)	(10,324)

	As of December 31,					
	2010			2009		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Derivative instruments hedging borrowings under assets (b)	(1,452)	(68)	(1,521)	(939)	(115)	(1,053)
Net cash	**(1,452)**	**(13,077)**	**(14,529)**	**(939)**	**(12,119)**	**(13,057)**
Net debt	**37,696**	**(3,861)**	**33,835**	**31,853**	**(1,886)**	**29,967**
Outstanding borrowings and debt	37,512	8,210	45,722	31,418	9,593	41,011
Financial assets at fair value through income	0	(1,555)	(1,555)	0	(1,609)	(1,609)
Cash and cash equivalents	0	(11,296)	(11,296)	0	(10,324)	(10,324)
Net debt excluding the impact of derivative instruments, cash collateral and amortized cost	**37,512**	**(4,641)**	**32,871**	**31,418**	**(2,340)**	**29,078**

(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 (see notes 14.1.3 and 14.2.2).

14.3.1 Main debt issues during the period

In 2010, the GDF SUEZ Group carried out a series of bond issues for a total of €4,327 million, mainly comprising:

- a €2 billion issue, consisting of a 7-year tranche for €1 billion maturing in October 2017 and paying interest of 2.75%, and a 12-year tranche for €1 billion maturing in October 2022 and paying interest of 3.5%. A total of €934 million from these issues was used by the Group to partially redeem its bonds maturing in January 2012, January 2013 and January 2014, paying interest of 4.375%, 4.75% and 6.25%, respectively;
- a GBP 700 million, 50-year bond issue paying interest at 5%. A euro swap was taken out in respect of this issue at an average rate of 4.28%;
- an issue of €500 million by SUEZ Environment, maturing in 2022 and paying interest of 4.125%;
- an issue of USD 400 million by E-CL (Chile), maturing in January 2021 and paying interest of 5.62%;
- a €210 million issue (Thai baht 8,000 million) carried out by Glow Energy Public Ltd.

On June 16, 2010, a 5-year, €4 billion syndicated credit line was signed with a syndicate of 18 banks.

Changes in the scope of consolidation in 2010 led to a €1,934 million increase in net debt. Foreign currency translation increased net debt by €1,102 million (including €485 million on the US dollar).

14.3.2 Debt/equity ratio

	As of December 31,	
	2010	2009
	(in millions of euros)	
Net debt	33,835	29,967
Total equity	70,717	65,527
Debt/equity ratio	47.8%	45.7%

14.4 Fair value of financial instruments by level in the fair value hierarchy

14.4.1 Financial assets

The table below shows the allocation of financial instruments carried in assets to the different levels in the fair value hierarchy:

	As of December 31,							
	2010				2009			
	Total	level 1	level 2	level 3	Total	level 1	level 2	level 3
	(in millions of euros)							
Fair value by level								
Available-for-sale securities	3,252	1,131	-	2,120	3,563	1,404	-	2,159
Loans and receivables at amortized cost used in designated fair value hedges	256	–	256	–	270	–	270	–
Loans and receivables at amortized cost (excluding trade and other receivables)	*256*	*–*	*256*	*–*	*270*	*–*	*270*	*–*
Derivative instruments	8,271	1,043	7,175	53	9,332	748	8,521	62
Derivatives hedging borrowings	1,521	–	1,521	–	1,053	–	1,035	18
Derivatives hedging commodities - relating to portfolio management activities	*2,574*	*257*	*2,267*	*51*	*3,297*	*233*	*3,046*	*18*
Derivatives hedging commodities - relating to trading activities	*4,082*	*786*	*3,294*	*2*	*4,917*	*516*	*4,375*	*26*
Derivatives hedging other items	*94*	*-*	*94*	*–*	*65*	*-*	*65*	*–*
Financial assets at fair value through income	1,555	1,317	238	–	1,609	1,340	269	–
Financial assets qualifying as at fair value through income	*1,511*	*1,317*	*194*	*–*	*1,560*	*1,340*	*220*	*–*
Financial assets designated as at fair value through income	*45*	*–*	*45*	*–*	*49*	*–*	*49*	*–*
Total	**13,335**	**3,492**	**7,670**	**2,173**	**14,773**	**3,492**	**9,060**	**2,221**

Available-for-sale securities

Listed securities – measured at their market price at the end of the reporting period – are included in level 1.

Unlisted securities – measured using valuation models based primarily on recent market transactions, the present value of dividends/cash flows or net asset value – are included in level 3.

Loans and receivables at amortized cost (excluding trade and other receivables)

Loans and receivables at amortized cost (excluding trade and other receivables) in a designated fair value hedging relationship are presented in level 2 in the above table. Only the interest rate component of these items is remeasured, with fair value determined by reference to observable data.

Derivative instruments

Derivative instruments included in level 1 are mainly futures traded on organized markets with clearing houses. They are measured at fair value based on their quoted price.

The measurement at fair value of derivative instruments included in level 3 is based on non-observable inputs and internal assumptions, usually because the maturity of the instruments exceeds the observable period for the forward price of the underlying, or because certain inputs such as the volatility of the underlying were not observable at the measurement date.

The measurement at fair value of other derivative instruments is based on commonly-used models in the commodities trading environment, and includes directly and indirectly observable inputs. These instruments are included in level 2 of the fair value hierarchy.

Financial assets qualifying or designated as at fair value through income

Financial assets qualifying as at fair value through income for which the Group has regular net asset value data are included in level 1. If net asset values are not available on a regular basis, these instruments are included in level 2.

Financial assets designated as at fair value through income are included in this case in level 2.

At December 31, 2010, changes in level 3 available-for-sale securities can be analyzed as follows:

	Available-for-sale securities
	(in millions of euros)
At December 31, 2009	**2,158**
Gains and losses recorded in income	(23)
Gains and losses recorded in equity	(139)
Acquisitions	358
Disposals	(69)
Changes in scope of consolidation, foreign currency translation and other changes	(166)
At December 31, 2010	**2,120**
Gains and losses recorded in income relating to instruments held at the end of the period	295

A 10% decrease in the overall value of Atlantic LNG, the Group's main unlisted investment, would lead to a pre-tax loss of €51 million charged against equity.

14.4.2 Financial liabilities

The table below shows the allocation of financial instruments carried in liabilities to the different levels in the fair value hierarchy:

	As of December 31,							
	2010				2009			
	Total	level 1	level 2	level 3	Total	level 1	level 2	level 3
	(in millions of euros)							
Fair value by level								
Borrowings used in designated fair value hedges	8,714	–	8,714	–	8,296	–	8,296	–
Derivative instruments	7,842	992	6,782	69	8,961	561	8,315	85
Derivatives hedging borrowings	*1,126*	–	*1,117*	*10*	*752*	–	*752*	–
Derivatives hedging commodities - relating to portfolio management activities	*2,494*	*168*	*2,269*	*57*	*3,279*	*93*	*3,101*	*85*
Derivatives hedging commodities - relating to trading activities	*4,055*	*824*	*3,229*	*2*	*4,837*	*469*	*4,369*	–
Derivatives hedging other items	*166*	–	*166*	–	*93*	–	*93*	–
Total	**16,556**	**992**	**15,495**	**69**	**17,257**	**561**	**16,611**	**85**

Borrowings and debt

This caption includes bonds in a designated fair value hedging relationship which are presented in level 2 in the above table. Only the interest rate component of the bonds is remeasured, with fair value determined by reference to observable data.

Derivative instruments

See Note 14.4.1.

NOTE 15 RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial risk management procedures are set out in section 5, "Risk factors" of the Reference Document.

15.1 Market risks

15.1.1 Commodity risk

Commodity risk arises primarily from the following activities:

- portfolio management; and
- trading.

The Group has identified two types of commodity risks: price risk resulting from fluctuations in market prices, and volume risks inherent to the business.

In the ordinary course of its operations, the Group is exposed to commodity risks on gas, electricity, coal, oil and oil products, other fuels, CO_2 and other "green" products. The Group is active on these energy markets either for supply purposes or to optimize and secure its energy production chain and its energy sales. The Group also uses derivatives to offer hedging instruments to its clients and to hedge its own positions.

15.1.1.1 Portfolio management activities

Portfolio management seeks to optimize the market value of assets (power plants, gas and coal supply contracts, energy sales and gas storage and transmission) over various timeframes (short-, medium- and long-term). Market value is optimized by:

- guaranteeing supply and ensuring the balance between needs and physical resources;
- managing market risks (price, volume) to unlock optimum value from portfolios within a specific risk framework.

The risk framework aims to safeguard the Group's financial resources over the budget period and smooth out medium-term earnings (over three or five years, depending on the maturity of each market). It encourages portfolio managers to take out economic hedges of their portfolio.

Sensitivity analyses for portfolio management activities, as presented in the table below, are calculated based on a fixed portfolio at a given date and may not necessarily be representative of future changes in consolidated earnings and equity. The analyses are determined excluding the impact of commodity purchase and sale contracts entered into within the ordinary course of business, which are not recognized as derivatives in accordance with IAS 39.

		As of December 31,			
		2010		2009	
Sensitivity analysis	**Price movements**	**Pre-tax impact on income**	**Pre-tax impact on equity**	**Pre-tax impact on income**	**Pre-tax impact on equity**
		(in millions of euros)			
Oil-based products	+10 \$US/bbl	(194)	269	(97)	326
Natural gas	+3 €/MWh	87	(26)	167	(13)
Coal	+10 \$US/ton	12	35	82	71
Electricity	+5 €/MWh	(37)	49	(30)	(46)
Greenhouse gas emission rights	+2 €/ton	(41)	(6)	(32)	(6)
EUR/USD	+10%	112	(194)	76	(213)
EUR/GBP	+10%	34	4	(59)	(2)
EUR/CAD	+10%	—	17	—	16
THB/USD	+10%	35	—	4	—

As options contracts are not frequently used, the sensitivity analysis is symmetrical for price increases and decreases.

15.1.1.2 Trading activities

Some Group entities are engaged in trading activities. The primary aim of these activities is to:

- secure access to the wholesale energy market;
- advise on and execute hedges.

Revenues from trading activities totaled €146 million for the year ended December 31, 2010 (€340 million in 2009).

The use of Value at Risk to quantify market risk arising from trading activities provides a transversal measure of risk taking all markets and products into account. VaR 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 but is back-tested on a regular basis.

The Group uses a 1-day holding period and a 99% confidence interval. The value-at-risk shown below corresponds to the aggregated VaRs of the Group's trading entities.

Value-at-risk	As of December 31, 2010	2010 average(1)	2010 maximum(2)	2010 minimum(2)	2009 average(1)
			(in millions of euros)		
Trading activities	6	9	17	5	6

(1) Average daily VaR.

(2) Based on month-end highs and lows observed in 2010.

15.1.2 Hedges of commodity risks

The Group enters into cash flow hedges and fair value hedges as defined by IAS 39, using derivative instruments (firm or options contracts) contracted over-the-counter or on organized markets. These instruments may be settled net or involve physical delivery of the underlying.

The fair values of commodity derivatives at December 31, 2010 and 2009 are indicated in the table below:

	As of December 31,							
	2010				2009			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Derivative instruments relating to portfolio management activities	1,580	994	(1,457)	(1,037)	2,335	961	(2,194)	(1,085)
Cash flow hedges	*964*	*464*	*(837)*	*(299)*	*1,214*	*516*	*(1,389)*	*(592)*
Other derivative instruments(1)	*616*	*531*	*(620)*	*(738)*	*1,122*	*445*	*(804)*	*(493)*
Derivative instruments relating to trading activities	4,082	—	(4,055)	—	4,917	—	(4,837)	—
Total	**5,662**	**994**	**(5,512)**	**(1,037)**	**7,252**	**961**	**(7,031)**	**(1,085)**

(1) At December 31, 2010, fair value hedges are not material at the level of the Group and are included in this item. Accordingly, comparative data for 2009 have been restated.

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 end of the reporting period. 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.

15.1.2.1 Cash flow hedges

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

	As of December 31,							
	2010				2009			
	Assets		Liabilities		Liabilities		Assets	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Natural gas	289	144	(322)	(121)	301	71	(420)	(216)
Electricity	149	57	(143)	(73)	284	124	(178)	(95)
Coal	69	44	(27)	(23)	10	17	(7)	(11)
Oil	437	139	(342)	(84)	600	264	(768)	(255)
Other	20	79	(3)	2	19	39	(16)	(14)
Total	**964**	**464**	**(837)**	**(299)**	**1,214**	**516**	**(1,389)**	**(592)**

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

	Total At December 31,						
Notional amounts (net)(1)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Beyond 5 years**
	(in GWh)						
Natural gas, electricity and coal	21,021	5,836	4,068	9,859	1,258	—	—
Oil-based products	146,936	100,964	43,527	2,444	—	—	—
Other	—	—	—	—	—	—	—
Total	**167,957**	**106,800**	**47,595**	**12,303**	**1,258**	**—**	**—**

(1) Long position/(short position).

	Total At December 31,						
Notional amounts (net)(1)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Beyond 5 years**
	(in thousands of tons)						
Greenhouse gas emission rights	(1,084)	160	(1,244)	—	—	—	—
Total	**(1,084)**	**160**	**(1,244)**	**—**	**—**	**—**	**—**

(1) Long position/(short position).

At December 31, 2010, a gain of €238 million was recognized in equity in respect of cash flow hedges versus a gain of €312 million in 2009. A loss of €223 million was reclassified from equity to income in 2010, compared with a loss of €599 million in 2009.

Gains and losses arising from the ineffective portion of hedges are taken to income. A gain of €33 million was recognized in income in 2010, compared with a loss of €38 million in 2009.

15.1.2.2 Other commodity derivatives

Other commodity derivatives include embedded derivatives, commodity purchase and sale contracts which were not entered into within the ordinary course of business at the reporting date, and derivative financial instruments not eligible for hedge accounting in accordance with IAS 39.

15.1.3 Currency risk

The Group is exposed to currency risk, defined as the impact on its statement of financial position and income statement of fluctuations in exchange rates affecting its operating and financing activities. Currency risk comprises (i) transaction risk arising in the ordinary course of business; (ii) transaction risk specifically linked to investment or mergers and acquisitions projects; and (iii) translation risk arising on the consolidation in euros of the financial statements of subsidiaries with a functional currency other than the euro. This risk chiefly concerns the United States, Brazil, Thailand, Poland, Norway and the United Kingdom.

15.1.3.1 Analysis of financial instruments by currency

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

OUTSTANDING GROSS DEBT

	As of December 31,			
	2010		2009	
	Before hedging	After hedging	Before hedging	After hedging
EUR zone	61%	53%	65%	63%
USD zone	14%	21%	14%	18%
GBP zone	6%	2%	4%	2%
Other currencies	19%	24%	16%	17%
Total	**100%**	**100%**	**100%**	**100%**

NET DEBT

	As of December 31,			
	2010		2009	
	Before hedging	After hedging	Before hedging	After hedging
EUR zone	57%	45%	60%	56%
USD zone	16%	26%	18%	23%
GBP zone	6%	2%	5%	1%
Other currencies	21%	27%	18%	19%
Total	**100%**	**100%**	**100%**	**100%**

15.1.3.2 Currency risk sensitivity analysis

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

For currency risk, sensitivity corresponds to a 10% rise or fall in exchange rates compared to closing rates.

Impact on income after currency hedges

Changes in exchange rates against the euro only affect income via gains and losses on liabilities denominated in a currency other than the functional currency of companies carrying the liabilities on their statements of financial position, 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 ultimately be a gain (or loss) of €24 million.

Impact on equity

For financial instruments (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 €474 million on equity. This impact is countered by the offsetting change in the net investment hedged.

15.1.4 Interest rate risk

The Group seeks to manage its borrowing costs by limiting the impact of interest rate fluctuations on its income statement. It does this by ensuring a balanced interest rate structure in the medium-term (five years). The Group's aim is therefore to use a mix 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. This was the case in 2010 following the sharp drop in long-term interest rates for the euro and US dollar, when the Group continued to increase the proportion of fixed-rate hedges and extended the term of its hedges in order to capitalize on attractive interest rates in the medium-term.

In order to manage the interest rate structure for its net debt, the Group uses hedging instruments, particularly interest rate swaps and options. At December 31, 2010, 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. Since all short-term interest rates hit a record low in 2010, hardly any options hedging euros, US dollars and pounds sterling have so far been activated.

15.1.4.1 Analysis of financial instruments by type of interest rate

The following tables present a breakdown by type of interest rate of outstanding gross debt and net debt before and after hedging.

OUTSTANDING GROSS DEBT

	As of December 31,			
	2010		2009	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	41%	44%	41%	43%
Fixed rate	59%	56%	59%	57%
Total	**100%**	**100%**	**100%**	**100%**

NET DEBT

	As of December 31,			
	2010		2009	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	18%	22%	20%	23%
Fixed rate	82%	78%	80%	77%
Total	**100%**	**100%**	**100%**	**100%**

15.1.4.2 Interest rate risk sensitivity analysis

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

For interest rate risk, sensitivity corresponds to a 1% rise or fall in the yield curve compared with year-end interest rates.

Impact on income after hedging

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 leg of derivatives, would increase net interest expense by €83 million. A fall of 1% in short-term interest rates would reduce net interest expense by €102 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

In the income statement, a rise of 1% in interest rates (across all currencies) would result in a gain of €210 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 €239 million. The asymmetrical impacts are attributable to the interest rate options portfolio.

Impact on equity

A uniform rise or fall of 1% in interest rates (across all currencies) would have a positive or negative impact of €273 million on equity, attributable to changes in the fair value of derivative instruments documented as cash flow hedges held by fully or proportionately consolidated subsidiaries.

15.1.4.3 Currency and interest rate hedges

The table below shows the fair values and notional amounts of financial instruments designated as currency or interest rate hedges:

	As of December 31,			
	2010		2009	
	Market value	Nominal amount	Market value	Nominal amount
	(in millions of euros)			
Fair value hedges	288	1,908	34	2,012
Cash flow hedges	86	3,219	(25)	2,498
Net investment hedges	(59)	4,659	36	3,346
Derivative instruments not qualifying for hedge accounting	10	13,056	0	13,314
Total	**325**	**22,842**	**45**	**21,169**

	As of December 31,			
	2010		2009	
	Market value	Nominal amount	Market value	Nominal amount
	(in millions of euros)			
Fair value hedges	378	7,616	367	7,308
Cash flow hedges	(282)	5,094	(179)	4,727
Derivative instruments not qualifying for hedge accounting	(35)	19,680	18	14,924
Total	**61**	**32,291**	**207**	**26,960**

The fair 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 and interest rate swaps transforming fixed-rate debt into floating-rate debt as fair value hedges.

Cash flow hedges are mainly used to hedge future foreign currency cash flows as well as floating-rate debt.

Net investment hedging instruments are mainly cross currency swaps.

Derivative instruments not qualifying for hedge accounting correspond to instruments that do not meet the definition of hedges from an accounting perspective, even though they are used as economic hedges of borrowings and foreign currency commitments. The impact on foreign currency derivatives is almost entirely offset by gains and losses on the hedged items.

Fair value hedges

At December 31, 2010, the net impact of fair value hedges recognized in the income statement represents a loss of €9 million.

Cash flow hedges

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

	At December 31, 2010						
	Total	2011	2012	2013	2014	2015	Beyond 5 years
	(in millions of euros)						
Fair value of derivatives by maturity	(195)	(69)	(24)	(6)	(22)	1	(75)

	At December 31, 2010						
	Total	2011	2012	2013	2014	2015	Beyond 5 years
	(in millions of euros)						
Fair value of derivatives by maturity	(204)	(77)	(63)	(5)	27	(5)	(82)

At December 31, 2010, gains and losses taken to equity in the period totaled €96 million.

The amount reclassified from equity to income in the period was €7 million.

The ineffective portion of cash flow hedges recognized in income represents a loss of €13 million.

Net investment hedges

The ineffective portion of net investment hedges recognized in income represents a loss of €37 million.

15.2 Counterparty risk

The Group is exposed to counterparty risk from customers, suppliers, partners, intermediaries and banks on its operating and financing activities, when such parties are unable to honor their contractual obligations. Counterparty risk results from a combination of payment risk (failure to pay for services or deliveries carried out), delivery risk (failure to deliver services or products paid for) and the risk of replacing contracts in default (known as mark-to-market exposure – i.e., the cost of replacing the contract in conditions other than those initially agreed).

15.2.1 Operating activities

The Group's Energy Market Risk Committee (CRME) consolidates and monitors the Group's exposure to its main energy counterparties on a quarterly basis and ensures that the exposure limits set for these counterparties are respected.

Past-due trade and other receivables are analyzed below:

	Past due assets not impaired at the reporting date				Impaired assets	Assets neither impaired nor past due	
	0-6 months	6-12 months	More than 1 year	Total	Total	Total	Total
	(in millions of euros)						
Trade and other receivables							
At December 31, 2010	1,235	261	403	1,900	1,640	18,885	22,425
At December 31, 2009	1,086	305	177	1,567	1,447	17,901	20,915

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 or not 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.

In the case of commodity derivatives, counterparty risk arises from positive fair value. Counterparty risk is taken into account when calculating the fair value of these derivative instruments.

	As of December 31,			
	2010		2009	
	Investment grade(2)	Total(4)	Investment grade(2)	Total(4)
	(in millions of euros)			
Counterparty risk(1)				
Gross exposure	7,752	8,128	9,629	10,477
Net exposure(3)	1,670	1,761	2,451	2,648
% exposure to investment grade counterparties	94.8%		92.6%	

(1) Excluding positions with a negative fair value.

(2) Investment grade corresponds to transactions with counterparties rated 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 collaterals, letters of credit and parent company guarantees.

(3) After taking into account collateral netting agreements and other credit enhancement.

(4) The difference between the amount exposed to counterparty risk and the total amount of derivatives hedging commodities under assets results from trade receivables and commodity purchase and sale contracts entered into within the ordinary course of business.

15.2.2 Financing activities

For its financing activities, the Group has put in place procedures for managing and monitoring risk based on (i) the accreditation of counterparties according to external credit ratings, objective market data (credit default swaps, market capitalization) and financial structure, and (ii) risk exposure limits.

The Group also draws on a structured legal framework based on master agreements (including netting clauses) and collateralization contracts (margin calls).

The oversight procedure for managing counterparty risk arising from financing activities is managed by a middle office that operates independently of the Group's Treasury department and reports to the Finance division.

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

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

	Past due assets not impaired at the reporting date				Impaired assets	Assets neither impaired nor past due	
	0-6 months	6-12 months	More than 1 year	Total	Total	Total	Total
	(in millions of euros)						
Loans and receivables at amortized cost (excluding trade and other receivables)							
At December 31, 2010	9	9	12	29	433	3,745	**4,208**

	Past due assets not impaired at the reporting date				Impaired assets	Assets neither impaired nor past due	
	0-6 months	6-12 months	More than 1 year	Total	Total	Total	Total
				(in millions of euros)			
At December 31, 2009	15	2	10	27	464	3,345	**3,835**

The balance of outstanding loans and receivables at amortized cost (excluding trade and other receivables) does not include impairment losses or changes in fair value and in amortized cost, which totaled €(399) million, €(2) million and €18 million, respectively, at December 31, 2010, versus €(464) million, €(5) million and €6 million, respectively, at December 31, 2009. Changes in these items are presented in Note 14.1.2 "Loans and receivables at amortized cost".

15.2.2.2 Counterparty risk arising from investing activities

The Group is exposed to counterparty risk arising from investments of surplus cash and from the use of derivative financial instruments. In the case of financial instruments at fair value through income, counterparty risk arises on instruments with a positive fair value.

At December 31, 2010, total outstandings exposed to credit risk amounted to €14,362 million.

	As of December 31,					
	2010			2009		
Counterparty risk arising from investing activities	Investment grade (1)	Unrated (2)	Non-investment grade (2)	Investment grade (1)	Unrated (1)	Non-investment grade (2)
% exposure to counterparties	90%	9%	1%	84%	15%	1%

(1) Counterparties rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

(2) The bulk of exposure to unrated or non-investment grade counterparties arises within consolidated companies comprising non-controlling interests, or within Group companies operating in emerging countries where cash cannot be pooled and is therefore invested locally.

At December 31, 2010, no single counterparty represented more than 7.6% of cash investments.

15.3 Liquidity risk

In the context of its operating activities, the Group is exposed to a risk of having insufficient liquidity to meet its contractual obligations. Margin calls required in certain commodities market activities are included in the calculation of working capital requirements.

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 €16,177 million at December 31, 2010, of which €14,588 million was available and undrawn. 75% of the total lines of credit and 83% of the lines not drawn are centralized. None of these centralized facilities contain a default clause linked to covenants or minimum credit ratings.

At December 31, 2010, bank loans accounted for 35% of gross debt (excluding overdrafts and the impact of derivatives and amortized cost), while the remaining debt was raised on capital markets (including €24,896 million in bonds, or 57% of gross debt).

Available cash, comprising cash and cash equivalents, financial assets qualifying and designated as at fair value through income, less bank overdrafts, totaled €11,111 million at December 31, 2010.

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 Group centralizes virtually all financing needs and cash flow surpluses of the companies it controls, as well as most of their medium- and long-term external financing requirements. Centralization is provided by financing vehicles (long-term and short-term) and by dedicated Group cash pooling vehicles based in France, Belgium and Luxembourg.

Surpluses held by these structures are managed in accordance with a uniform policy. 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.

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.

Outstanding short-term commercial paper issues represented 9% of gross debt, or €3,829 million at December 31, 2010. 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, all 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.

Since the onset of the financial crisis in fourth-quarter 2008 and the ensuing rise in counterparty risk, the Group adjusted its investment policy with the aim of keeping an extremely high level of liquidity and protecting invested capital (86% of cash pooled at December 31, 2010 was invested in overnight bank deposits and standard money market funds with daily liquidity). Performance and counterparty risks are monitored on a daily basis for both investment types, allowing the Group to take immediate action where required in response to market developments.

15.3.1 Undiscounted contractual payments relating to financing activities

At December 31, 2010, undiscounted contractual payments on net debt (excluding the impact of derivatives and amortized cost) break down as follows by maturity:

	As of December 31,						
	Total	**2011**	**2012**	**2013**	**2014**	**2015**	**Beyond 5 years**
	(in millions of euros)						
Bond issues	24,896	921	2,534	1,278	3,790	2,297	14,076
Commercial paper	3,829	3,829	(0)	0	0	0	0
Drawdowns on credit facilities	1,588	302	388	2	393	415	88
Liabilities under finance leases	1,502	243	129	110	110	82	827
Other bank borrowings	10,877	1,110	1,132	1,365	1,165	738	5,366
Other borrowings	1,290	65	372	166	58	32	598
Bank overdrafts and current accounts	1,741	1,741	0	0	0	0	0
Outstanding borrowings and debt	**45,722**	**8,210**	**4,555**	**2,922**	**5,516**	**3,564**	**20,956**
Financial assets qualifying or designated as at fair value through income	(1,555)	(1,555)	0	0	0	0	0
Cash and cash equivalents	(11,296)	(11,296)	0	0	0	0	0
Net Debt Excluding The Impact of Derivative Instruments, Cash Collateral And Amortized Cost	**32,871**	**(4,641)**	**4,555**	**2,922**	**5,516**	**3,564**	**20,956**

	As of December 31,						Beyond 5 years
	Total	2010	2011	2012	2013	2014	
	(in millions of euros)						
Outstanding Borrowings And Debt	**41,011**	**9,593**	**2,125**	**4,186**	**2,808**	**5,188**	**17,111**
Financial assets qualifying or designated as at fair value through income, and cash and cash equivalents	(11,933)	(11,933)	0	0	0	0	0
Net Debt Excluding The Impact of Derivative Instruments, Cash Collateral and Amortized Cost	**29,078**	**(2,340)**	**2,125**	**4,186**	**2,808**	**5,188**	**17,111**

At December 31, 2010, undiscounted contractual interest payments on outstanding borrowings and debt break down as follows by maturity:

	As of December 31,						Beyond 5 years
	Total	2011	2012	2013	2014	2015	
	(in millions of euros)						
Undiscounted contractual interest payments on outstanding borrowings and debt	17,769	1,801	1,902	1,711	1,570	1,370	9,414

	As of December 31,						Beyond 5 years
	Total	2010	2011	2012	2013	2014	
	(in millions of euros)						
Undiscounted contractual interest payments on outstanding borrowings and debt	13,694	1,600	1,558	1,518	1,357	1,220	6,442

At December 31, 2010, undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in assets and liabilities break down as follows by maturity (net amounts):

	As of December 31,						Beyond 5 years
	Total	2011	2012	2013	2014	2015	
	(in millions of euros)						
Derivatives (excluding commodity instruments)	214	533	(118)	32	(69)	0	(166)

	As of December 31,						Beyond 5 years
	Total	2011	2012	2013	2014	2015	
	(in millions of euros)						
Derivatives (excluding commodity instruments)	326	91	223	50	(9)	(15)	(13)

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 confirmed credit facility programs are analyzed in the table below:

	As of December 31,						Beyond 5 years
	Total	2011	2012	2013	2014	2015	
	(in millions of euros)						
Confirmed undrawn credit facility programs	14,588	1,528	5,307	653	1,324	5,193	583

	As of December 31,						Beyond 5 years
	Total	2011	2012	2013	2014	2015	
	(in millions of euros)						
Confirmed undrawn credit facility programs	14,691	2,991	751	9,474	127	1,130	218

Of these undrawn programs, an amount of €3,829 million is allocated to covering issues of commercial paper.

Undrawn confirmed credit lines include a €4 billion multi-currency syndicated loan maturing in 2015 and contracted in June 2010. These facilities will be used to refinance ahead of maturity credit lines expiring in 2012. They are not subject to any covenants or credit rating requirements.

At December 31, 2010, no single counterparty represented more than 6.1% of the Group's confirmed undrawn credit lines.

15.3.2 Undiscounted contractual payments relating to operating activities

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 reporting date.

	As of December 31,						Beyond 5 years
Liquidity risk	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	
	(in mllions of euros)						
Derivative instruments carried in liabilities							
relating to portfolio management activities	*(2,495)*	*(1,647)*	*(622)*	*(116)*	*(35)*	*(23)*	*(52)*
relating to trading activities	*(4,062)*	*(4,062)*					
Derivative instruments carried in assets							
relating to portfolio management activities	*2,599*	*1,624*	*651*	*228*	*32*	*20*	*44*
relating to trading activities	*4,098*	*4,098*					
Total at December 31, 2010	**140**	**14**	**29**	**113**	**(3)**	**(4)**	**(9)**

Liquidity risk	Total	As of December 31, 2010	2011	2012	2013	2014	Beyond 5 years
				(in millions of euros)			
Derivative instruments carried in liabilities							
relating to portfolio management activities	*(3,302)*	*(2,224)*	*(723)*	*(246)*	*(39)*	*(18)*	*(53)*
relating to trading activities	*(4,814)*	*(4,814)*					
Derivative instruments carried in assets							
relating to portfolio management activities	*3,268*	*2,278*	*673*	*256*	*45*	*4*	*12*
relating to trading activities	*4,895*	*4,895*					
Total at December 31, 2009	**47**	**135**	**(50)**	**11**	**6**	**(14)**	**(41)**

The Group provides an analysis of residual contractual maturities for commodity derivative instruments included in its portfolio management activities. Derivative instruments relating to trading activities are considered to be liquid in less than one year, and are presented under current items in the statement of financial position.

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

In the ordinary course of their business, some Group operating companies entered 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 the Global Gas & LNG, Energy France and Energy Europe & International business lines (expressed in TWh):

In TWh	Total at Dec. 31, 2010	2011	2012-2015	Beyond 5 years	Total at Dec. 31, 2009
Firm purchases	(11,013)	(957)	(3,191)	(6,865)	(11,897)
Firm sales	2,115	509	686	920	1,842

15.5 Equity risk

At December 31, 2010, available-for-sale securities held by the Group amounted to €3,252 million (see Note 14.1.1).

A fall of 10% in the market price of listed shares would have a negative impact (before tax) of around €113 million on the Group's comprehensive income.

The Group's main unlisted security corresponds to its interest in Atlantic LNG, which is measured based on the present value of future dividends and cash flows. The main assumptions affecting the measurement of these unlisted securities are production volumes and energy prices. A 10% change in the overall value of the Atlantic LNG share price would impact equity by an amount of €51 million.

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.

NOTE 16 EQUITY

16.1 Share capital

	Number of shares			Value (in millions of euros)		
	Total	Treasury	Outstanding	Share capital	Additional paid-in capital	Treasury stock
At December 31, 2008	**2,193,643,820**	**(48,323,501)**	**2,145,320,319**	**2,194**	**29,258**	**(1,741)**
Share issuances	1,934,429		1,934,429	2	30	
Stock dividends	65,398,018		65,398,018	65	1,301	
Purchases and disposals of treasury stock		3,208,648	3,208,648			97
At December 31, 2009	**2,260,976,267**	**(45,114,853)**	**2,215,861,414**	**2,261**	**30,590**	**(1,644)**
Share issuances	26,217,490		26,217,490	26	471	
Share cancelations	(36,898,000)	36,898,000	0	(37)	(1,378)	1,415
Purchases and disposals of treasury stock		(17,637,311)	(17,637,311)			(436)
At December 31, 2010	**2,250,295,757**	**(25,854,164)**	**2,224,441,593**	**2,250**	**29,683**	**(665)**

Changes in the number of shares during 2010 reflect:

- employee share issuances as part of the worldwide employee share plan baptized “Link 2010” (see Note 23.2). A total of 24.2 million shares were subscribed in addition to 0.5 million shares awarded without consideration, bringing the total value of the August 24, 2010 capital increase to €478 million (excluding issuance costs);
- the exercise of stock subscription options (1.5 million shares, see Note 23.1.2);
- the cancelation of all of the 36,898,000 treasury shares held at end-December 2009, which was decided by the Board of Directors on August 9, 2010.

Changes in the number of shares during 2009 reflect:

- payment of a portion of the special dividend in stock. On May 4, 2009, the Shareholders’ Meeting resolved that a special €0.80 per share dividend could be paid in cash or in stock. The special dividend was paid on June 4, 2009 in cash for €340.6 million and in stock for €1,376.6 million, representing an increase of 65,398,018 new shares;
- the exercise of stock subscription options, accounting for the issuances during the period.

16.2 Instruments providing a right to subscribe for new GDF SUEZ SA shares

In prior periods, the Group granted stock subscription options to its employees as part of stock option plans. These plans are described in Note 23, “Share-based payment”.

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 May 3, 2010. This program provides for the repurchase of up to 10% of the shares comprising the share capital at the date of the meeting concerned. Under the program, the aggregate amount of acquisitions net of expenses may not exceed the sum of €12 billion, and the purchase price must be less than €55 per share.

Net share repurchases carried out in 2010 amounted to €491 million.

In 2010, the Group also canceled 36,898,000 treasury shares held at end-December 2009.

16.4 Other disclosures concerning additional paid-in capital and consolidated reserves

Total additional paid-in capital and consolidated reserves at December 31, 2010 (including net income for the year) amounted to €59,297 million, of which €226 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 €44,509 million at December 31, 2010 (€47,789 million at December 31, 2009).

16.5 Dividends

	Amount distributed	Net dividend per share in euros	Number of shares
	(in millions of euros)	(cash dividends)	(stock dividends)
In respect of 2008			
Remaining dividend payout for 2008 (paid May 6, 2009)	1,287	0.60	
Special dividend (paid in cash or in shares at the option of shareholders, June 4, 2009)	1,717		
Paid in cash	*341*	*0.80*	
Paid in shares	*1,377*		65,398,018
In respect of 2009			
Interim dividend (paid December 18, 2009)	1,773	0.80	
Remaining dividend payout for 2009 (paid May 10, 2010)	1,484	0.67	
In respect of 2010			
Interim dividend (paid November 15, 2010)	1,846	0.83	

Recommended dividend for 2010

Shareholders at the Shareholders' Meeting convened to approve the financial statements of GDF SUEZ for the year ended December 31, 2010, will be asked to approve a dividend of €1.50 per share, representing a total payout of €3,337 million based on the number of shares outstanding at December 31, 2010. An interim dividend of €0.83 per share was paid on November 15, 2010, representing a total amount of €1,846 million.

Subject to approval by the Shareholders' Meeting, this dividend shall be paid from May 6, 2011 and is not recognized as a liability in the accounts at December 31, 2010. The consolidated financial statements at December 31, 2010 are therefore presented before the appropriation of earnings.

16.6 Total gains and losses recognized in equity (Group share)

	As of December 31,				
	2010	Change	2009	Change	2008
	(in millions of euros)				
Available-for-sale financial assets	646	(119)	765	6	759
Net investment hedges	31	(63)	95	44	51
Cash flow hedges (excl. commodity instruments)	(196)	11	(207)	58	(265)
Commodity cash flow hedges	342	445	(103)	899	(1,002)
Actuarial gains and losses	(748)	(479)	(269)	151	(420)
Deferred taxes	185	4	181	(364)	545
Share of associates in total gains and losses recognized in equity, net of taxes	(48)	35	(83)	75	(158)

	As of December 31,				
	2010	Change	2009	Change	2008
	(in millions of euros)				
Translation adjustments on items above	(35)	(3)	(32)	8	(40)
Sub-Total	**177**	**(169)**	**346**	**877**	**(531)**
Translation adjustments on other items	557	879	(322)	351	(673)
Total	**734**	**710**	**24**	**1,228**	**(1,204)**

Translation adjustments recycled to the statement of income for the period were not material.

Cumulative actuarial gains and losses are shown within consolidated reserves attributable to the Group.

16.7 Transactions between owners on entities controlled by the Group

The main transaction between owners concerns the repurchase by the Group of the 49% interest in Gaselys held by Société Générale.

16.8 Non-controlling interests

Other than net income attributable to non-controlling interests, the increase in “Non-controlling interests” is essentially attributable to (i) the business combinations described in Note 2, “Main changes in Group structure”, (ii) the issuance by SUEZ Environnement of deeply-subordinated notes, and (iii) the capital increase at Wilhelmshaven.

Deeply-subordinated notes issued by SUEZ Environnement

In 2010, SUEZ Environnement issued €750 million in deeply-subordinated, perpetual “hybrid” notes (excluding issuance costs). These notes are subordinated to all senior creditors, and have an initial fixed coupon of 4.82% for the first five years.

As the notes are equity instruments, the proceeds of the issuance, less issuance costs net of tax, are recognized under “Non-controlling interests” within equity.

16.9 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 statement of financial position. 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

	December 31, 2009	Allocations	Reversals (utilizations)	Reversals (surplus provisions)	Reversals of provisions for gas infra structures (France)	Changes in scope of consoli-dation	Impact of unwinding discount adjustments	Translation adjustments	Other	December 31, 2010
					(in millions of euros)					
Post-employment benefits and other long-term benefits	3,863	242	(344)	(4)		13	191	31	369	4,362
Nuclear fuel reprocessing and storage	3,677	108	(23)	0		0	183	0	(9)	3,936
Dismantling of plant and equipment(1)	3,602	6	(18)		(1,172)	2	164	3	255	2,840
Site rehabilitation	1,138	43	(43)	(8)		6	40	21	165	1,362
Other contingencies	1,773	519	(424)	(120)		154	9	18	40	1,969
Total Provisions	**14,053**	**919**	**(851)**	**(132)**	**(1,172)**	**175**	**586**	**73**	**820**	**14,469**

(1) Of which €2,413 million in provisions for dismantling nuclear facilities at December 31, 2010, versus €2,093 million at December 31, 2009.

The "Changes in scope of consolidation" column chiefly reflects impacts from the acquisition of a controlling interest in the Agbar group by SUEZ Environnement, as well as the unwinding of cross-holdings in the Water sector in France.

The "Reversals of provisions for gas infrastructures (France)" column includes mainly the reversal of provisions for dismantling gas transmission and distribution infrastructures in France (see Note 17.3, "Dismantling obligations arising on other plant and equipment" and Note 5.5, "Other non-recurring items").

The impact of unwinding discounting adjustments in respect of post-employment benefit obligations and other long-term benefits relates to the interest cost on the pension obligations, net of the expected return on plan assets.

The "Other" column mainly reflects (i) actuarial gains and losses arising on post-employment benefits in 2010 and recorded in other comprehensive income; and (ii) the increase in provisions for dismantling nuclear facilities in Belgium and for site rehabilitation in the Exploration & Production business, for which the matching entry is recorded in property, plant and equipment.

Allocations, reversals and the impact of unwinding discounting adjustments are presented as follows in the consolidated income statement:

	Net allocations
	(in millions of euros)
Income from operating activities	(1,240)
Other financial income and expenses	586
Income tax expense	2
Total	**(651)**

The different types of provisions and the calculation principles applied are described hereafter.

17.1 Post-employment benefits and other long-term benefits

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 September 22, 2010, Synatom submitted its triennial report on nuclear provisions to the Nuclear Provisions Committee, which published its opinion on November 22, 2010.

The Committee's recommendations led to an increase of €215 million in the provision for dismantling nuclear facilities, with a corresponding adjustment to the "dismantling asset" for the same amount. In comparison with the previous report, core inputs such as estimation methods, financial parameters and management scenarios remain unchanged. The changes taken into account were aimed at incorporating the latest economic data and detailed technical analyses into the calculation (tariffs, physical and radiological inventories, etc.).

The provision for managing radioactive fissile material continues to be calculated based on the measurement assumptions set out in the 2007 review.

The Nuclear Provisions Committee has authorized the Group to submit two reviews in 2011. The first will look at the margin of error that should be envisaged for the nuclear facilities dismantling phase, which currently remains unchanged. The second, focusing on the provision for managing radioactive fissile material in nuclear facilities, will assess the feasibility of making non-recycled plutonium from Belgian nuclear power stations available to third parties and also provide details of how reprocessing costs are calculated. The findings of these analyses and resulting discussions with the Nuclear Provisions Committee could lead the Group to revise certain measurement assumptions applied to these provisions.

The provisions set aside 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 on this matter which would materially impact the value of the provisions.

The provisions recognized by the Group at December 31, 2010 were calculated taking into account the prevailing contractual and legal framework, which sets the operating life of nuclear reactors at 40 years.

At the end of 2009, an agreement was signed with the Belgian government under which the latter agreed to take the appropriate legal measures to extend the lifespan of three nuclear reactors from 40 to 50 years. The measures require the adoption of new laws or modification of existing laws.

Any extension to the lifespan of these three nuclear reactors should not have a material impact on dismantling provisions. The extended lifespan of these reactors would lead to less-than-optimal coordination with dismantling work for the facilities as a whole. However, this would be offset by the deferral of payments to be made. The matching entry for changes to these provisions – subject to certain conditions – will be an adjustment to the corresponding assets in the same amount.

Provisions for nuclear fuel reprocessing and storage should not be significantly affected by the extension in the lifespan of the three oldest reactors, insofar as the average unit cost of reprocessing all radioactive spent nuclear fuel over the period the reactors are operated does not change materially.

These provisions may be adapted in line with the extension of the assets' useful lives, when the relevant bills have been passed.

17.2.2 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 measured on the basis of offers received from third parties or fee proposals from independent organizations;
- the 5% discount rate used (actual rate of 3% plus 2% inflation rate) is based on an analysis of average, past and prospective changes in benchmark long-term rates;
- 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.

17.2.3 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, and is the same as the rate used to calculate the provision for nuclear fuel processing and storage;

- dismantling work is expected to begin between three and four years after the facilities concerned have been shut down, taking into account the currently applicable 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 allocation 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.

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.

A 5% increase or decrease in nuclear dismantling or nuclear fuel reprocessing and storage costs could increase or decrease the corresponding provisions by roughly the same percentage.

Changes arising as a result of the review of the dismantling provision would not have an immediate impact on income, since the matching entry under certain conditions would consist of adjusting the corresponding assets in the same amount.

Sensitivity to discount rates as 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 – some of which may be interdependent – included 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 and LNG terminals, 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.

Based on the publication of the International Energy Agency, which, on the basis of current production levels, estimated that proven and probable gas reserves were assured for another 250 years, the Group has revised the timing of its dismantling provisions for gas infrastructures in France. These provisions, whose present value is now virtually zero, have been reversed (see Note 5.5, "Other non-recurring items").

17.4 Site rehabilitation

17.4.1 Waste activities

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 the 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 statement of financial position 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).

17.4.2 Exploration & Production activities

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.

17.5 Other contingencies

This caption includes provisions for miscellaneous employee-related litigation, environmental risks and various business risks, as well as amounts intended to cover tax disputes, claims and similar contingencies. These are discussed in further detail in Note 26, "Legal and anti-trust proceedings".

NOTE 18 POST-EMPLOYMENT BENEFITS AND OTHER LONG TERM BENEFITS

18.1 Significant events in 2010

The law reforming pensions in France was promulgated by the French President and published in the Journal Officiel (bulletin of public notices) on November 10, 2010.

The key measures of this reform are as follows:

- two-year rise in the legal retirement age under statutory pension schemes from 60 to 62 years, and a two-year rise in the age at which the discount on pension benefits is canceled. These changes will be phased in gradually through to 2018, increasing by four months each year from July 1, 2011. As a result, these changes will only affect employees born in 1951 or later;

- gradual two-year rise in the legal retirement age under the special EGI pension scheme as from January 1, 2017, based on an increase of four months each year to reach 62 years on January 1, 2022 for employees in "sedentary" occupations, and 57 years for employees having completed 15 years of active service;

- extension of the period during which employees pay in contributions to be eligible for a full pension. The contribution period has been increased to 41.5 years under the statutory pension scheme for employees born in 1960 or later, and to 41.5 years for employees eligible for the special EGI pension scheme as of January 1, 2020.

The Group considers that the changes in its projected benefit obligation as a result of these measures represent changes in actuarial assumptions. Consequently, the €133 million increase in the provision for post-employment benefit obligations due to the pension reform in France was recognized as an actuarial loss in 2010 within "Other comprehensive income".

18.2 Description of the main pension plans

The Group's main pension plans are described below.

18.2.1 Companies belonging to the Electricity and Gas Industries sector in France

Since January 1, 2005, the CNIEG (Caisse Nationale des Industries Électriques et Gazières) has operated the pension, disability, death, occupational accident and occupational illness benefit plans for electricity and gas industry 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, GDF SUEZ Thermique France, CPCU, TIRU, GEG, Compagnie Nationale du Rhône (CNR) and SHEM.

Following the funding reform of the special EGI pension scheme introduced by Law 2004-803 of August 9, 2004 and its implementing decrees, specific benefits (pension benefits on top of the standard benefits payable under ordinary law) already vested at December 31, 2004 ("past specific benefits") were allocated between the various EGI entities. Past specific benefits (benefits vested at December 31, 2004) relating to regulated transmission and distribution businesses ("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. Past specific benefits (benefits vested at December 31, 2004) relating to unregulated activities are funded by EGI sector entities to the extent defined by decree no. 2005-322 of April 5, 2005. The specific benefits vested under the plan since January 1, 2005 are fully financed by EGI sector companies in proportion to their respective share of the electricity and gas market as measured by total payroll costs.

As this plan represents a defined benefit scheme, the Group has set aside a pension provision in respect of specific benefits payable to employees of unregulated activities and specific benefits vested by employees of regulated activities since January 1, 2005. This provision also covers the Group's early retirement obligations.

Pension benefit obligations and other “mutualized” obligations are assessed by the CNIEG.

At December 31, 2010, the provision set aside in respect of the special pension scheme for EGI sector companies amounted to €2.1 billion (€1.7 billion at December 31, 2009).

18.2.2 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), Laborelec and some GDF SUEZ Belgium 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 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.

“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, the 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 continue to be recognized by the Group as defined contribution schemes, mainly because no material net liability has been identified. The actual rate of return was compared with the guaranteed minimum rate of return; the unfunded portion was not material at December 31, 2010.

The projected benefit obligation relating to these plans represented around 16% of total pension obligations and related liabilities at December 31, 2010.

18.2.3 Collective agreement applicable to employees of the Brussels headquarters

As part of the reorganization of the activities managed by Electrabel, GDF SUEZ Belgium and GDF SUEZ CC, and employee transfers between these companies, the bylaws of Electrabel, GDF SUEZ Belgium and GDF SUEZ CC were merged. In accordance with the pension provisions set out in these bylaws, managerial staff (“cadres”) are eligible for the defined contribution plan operated by Electrabel for managerial staff recruited after May 1, 1999 (see section 18.2.2), through the consolidation of vested rights on a projected unit credit basis. More than 95% of the employees concerned chose to join this plan, effective as of January 1, 2009.

The transfer of employees to this plan led to a virtually identical reduction in pension obligations and plan assets, which were transferred to the afore-mentioned defined contribution plan. As a result, the impact on the consolidated income statement in 2009 was not material.

All new recruits are now automatically affiliated to the defined contribution plan.

18.2.4 Multi-employer plans

Employees of some Group companies are affiliated to multi-employer pension plans. 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.

Under multi-employer plans, risks are pooled to the extent that the plan is funded by a single contribution rate determined for all affiliate companies and applicable to all employees. The GDF SUEZ Group accounts for multi-employer plans as defined contribution plans in accordance with IAS 19.

An expense of €72 million was recognized in 2010 in respect of multi-employer pension plans.

18.2.5 Other pension schemes

Most other Group companies grant their employees retirement benefits. In terms of financing, pension plans within the Group are almost equally split between defined benefit and defined contribution plans.

The Group's main pension plans outside France and Belgium concern:

- United States: the UWR defined benefit plan is available to employees of the regulated sector. All US subsidiaries offer their employees a 401(k) type plan;
- United Kingdom: the large majority of defined benefit pension plans are now closed to new entrants and benefits no longer vest under these plans. All entities run a defined contribution scheme;
- Germany: the Group's German subsidiaries have closed their defined benefit plans;
- Brazil: Tractebel Energia operates its own pension scheme. This scheme has been split into two parts, one for the (closed) defined benefit plan, and the other for the defined contribution plan that has been available to new entrants since the beginning of 2005.

18.3 Description of other post-employment benefit obligations and long-term benefits

18.3.1 Other benefits granted to current and former EGI sector employees

Other benefits granted to EGI sector employees are:

Post-employment benefits:

- reduced energy prices;
- end-of-career indemnities;
- bonus leave;
- immediate bereavement benefits.

Long-term benefits:

- allowances for occupational accidents and illnesses;
- temporary and permanent disability allowances;
- length-of-service awards.

The Group's main obligations are described below.

18.3.1.1 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 prices known as "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, GDF SUEZ provides gas to all current and former employees of GDF SUEZ and EDF, while EDF supplies these same beneficiaries with electricity. GDF SUEZ pays (or benefits from) the balancing contribution payable in respect of its employees as a result of energy exchanges between the two utilities.

The obligation to provide energy at a reduced price to current and former employees is measured as the difference between the energy sale price and the preferential rates granted.

The provision set aside in respect of reduced energy prices amounts to €1.5 billion.

18.3.1.2 End-of-career indemnities

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.

18.3.1.3 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.

18.3.2 Other benefits granted to employees of the gas and electricity sector in Belgium

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 length-of-service awards 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), considered as an end-of-career indemnity and managed by an external insurance company.

18.3.3 Other collective agreements

Most other Group companies also grant their staff post-employment benefits (early retirement plans, medical coverage, benefits in kind, etc.) and other long-term benefits such as jubilee and length-of-service awards.

18.4 Defined benefit plans

18.4.1 Amounts presented in the statement of financial position and statement of comprehensive income

In accordance with IAS 19, the information presented in the statement of financial position relating to post-employment benefit obligations and other long-term benefits results from the difference between the gross projected benefit obligation, the fair value of plan assets, and any unrecognized past service cost. A provision is recognized if this difference is positive (net obligation), while a prepaid benefit cost is recorded in the statement of financial position when the difference is negative, provided that the conditions for recognizing the prepaid benefit cost are met.

Changes in provisions for post-employment benefits and other long-term benefits, plan assets and reimbursement rights recognized in the statement of financial position are as follows:

	Provisions	Plan assets	Reimbursement rights
		(in millions of euros)	
At December 31, 2008	**(4,151)**	**189**	**444**
Exchange rate differences	(44)	1	
Changes in scope of consolidation and other	191	(28)	(317)
Actuarial gains and losses	230	(51)	17
Periodic pension cost	(414)	31	8
Asset ceiling/IFRIC 14	(2)	0	(9)
Contributions/benefits paid	327	54	
At December 31, 2009	**(3,862)**	**196**	**143**
Exchange rate differences	(32)	(0)	
Changes in scope of consolidation and other	94	(94)	
Actuarial gains and losses	(523)	18	(5)
Periodic pension cost	(445)	(4)	7
Asset ceiling/IFRIC 14	1	1	
Contributions/benefits paid	405	6	(3)
At December 31, 2010	**(4,362)**	**122**	**142**

Plan assets and reimbursement rights are presented in the statement of financial position under "Other non-current assets" or "Other current assets".

The cost recognized for the period in the income statement amounts to €449 million in 2010 and €382 million in 2009. The components of this defined benefit cost in the period are set out in Note 18.4.4, "Components of the net periodic pension cost".

Cumulative actuarial gains recognized in equity amounted to €892 million at December 31, 2010, compared to €376 million at December 31, 2009.

	2010	2009
	(in millions of euros)	
At January 1	**376**	**554**
Actuarial (gains)/losses generated during the year	516	(178)
At December 31	**892**	**376**

Actuarial gains and losses presented in the above table include translation adjustments and actuarial gains and losses recorded on equity-accounted associates, representing net actuarial losses of €11 million in 2010 and net actuarial gains of €10 million in 2009. Actuarial gains and losses recognized on a separate line in "Other comprehensive income" represented net actuarial losses of €500 million in 2010 and net actuarial gains of €168 million in 2009. Actuarial losses for 2010 attributable to the pension reform in France totaled €133 million.

18.4.2 Change in benefit obligations and plan assets

The table below shows the amount of the Group's projected benefit obligations and plan assets, changes in these items during the periods presented, and their reconciliation with the amounts reported in the statement of financial position:

		2010				2009			
		Pension benefit obligations (1)	**Other post-employment benefit obligations (2)**	**Long-term benefit obligations (3)**	**Total benefit obligations**	**Pension benefit obligations (1)**	**Other post-employment benefit obligations (2)**	**Long-term benefit obligations (3)**	**Total benefit obligations**
					(in millions of euros)				
A - Change In Projected Benefit Obligation									
Projected benefit obligation at January 1		(5,502)	(1,659)	(465)	(7,626)	(5,634)	(1,705)	(482)	(7,821)
Service cost		(212)	(24)	(39)	(274)	(195)	(22)	(31)	(248)
Interest cost		(293)	(81)	(22)	(396)	(298)	(83)	(22)	(403)
Contributions paid		(11)			(11)	(12)			(12)
Amendments		(1)			(1)	16	(2)	(0)	14
Acquisitions/disposals of subsidiaries		(187)	2	1	(184)	269	65	(3)	330
Curtailments/settlements		208	1	1	209	55	6	3	63
Non-recurring items		41	(5)		35	78	(2)	(1)	75
Actuarial gains and losses		(402)	(349)	(34)	(785)	(57)	13	(3)	(47)
Benefits paid		351	83	53	486	384	69	45	498
Other (translation adjustments)		(121)	(4)	(3)	(128)	(108)	3	30	(75)
Projected benefit obligation at December 31	**A**	**(6,130)**	**(2,037)**	**(508)**	**(8,675)**	**(5,502)**	**(1,659)**	**(465)**	**(7,626)**
B – Change in Fair Value of Plan Assets									
Fair value of plan assets at January 1		**3,934**	**39**	**0**	**3,973**	**3,831**	**40**	**0**	**3,871**
Expected return on plan assets		205	3		208	177	2		180
Actuarial gains and losses		240	7		247	176	2		178
Contributions received		262	21		283	235	23		258
Acquisitions/disposals of subsidiaries		188	(5)		184	(167)			(167)
Settlements		(198)			(198)	(46)	(5)		(51)
Benefits paid		(327)	(21)		(348)	(346)	(23)		(369)
Other (translation adjustments)		95	3		98	74	(1)		73
Fair value of plan assets at December 31	**B**	**4,399**	**47**	**0**	**4,447**	**3,934**	**39**	**0**	**3,973**
C - Funded Status	**A+B**	**(1,730)**	**(1,990)**	**(508)**	**(4,228)**	**(1,568)**	**(1,620)**	**(465)**	**(3,653)**
Unrecognized past service cost			(11)		(11)	(1)	(10)		(12)
Asset ceiling(4)					0	(1)	(1)		(2)
Net Benefit Obligation	**A+B**	**(1,730)**	**(2,001)**	**(508)**	**(4,239)**	**(1,571)**	**(1,631)**	**(465)**	**(3,667)**
Accrued Benefit Liability		**(1,853)**	**(2,001)**	**(508)**	**(4,362)**	**(1,767)**	**(1,631)**	**(465)**	**(3,863)**
Prepaid Benefit Cost		**122**	**0**		**122**	**196**			**196**

(1) Pensions and retirement bonuses.

(2) Healthcare, gratuities and other post-employment benefits.

(3) Length-of-service awards and other long-term benefits.

(4) Including additional provisions set aside on application of IFRIC 14.

Changes in the scope of consolidation in 2010 were not material. Changes in the scope of consolidation in 2009 essentially include the impact of the transfer of obligations in respect of distribution employees of Net Wallonie (€296 million), as well as the first-time consolidation of various subsidiaries within the Energy Europe & International business line.

The amount recorded within “Non-recurring items” in 2010 chiefly reflects the write-back of the provision set aside at end-2005 in connection with the review clause and no longer warranted. In 2009, this amount concerned the write-back of the outstanding provision set aside in respect of the 2008 pension reform.

18.4.3 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].

18.4.3.1 Electrabel reimbursement right

Until December 31, 2008, obligations towards employees of Electrabel's distribution business were covered by a reimbursement right granted by the walloon inter-municipal companies. These reimbursement rights reflected the fact that Electrabel made its personnel available to the inter-municipal companies for the day-to-day operation of the networks. All related personnel costs (including pension costs) were billed by Electrabel to the inter-municipal companies based on actual costs. Electrabel's pension obligations regarding these employees were included within liabilities under provisions for pensions and other employee benefit obligations. The matching entry was a reimbursement right in respect of the inter-municipal companies for a similar amount. Since Ores – a Group entity providing personnel to Walloon inter-municipal companies – was sold to the Walloon inter-municipal companies at the beginning of 2009, this reimbursement right no longer exists.

	2010	2009
	(in millions of euros)	
Fair value at January 1	0	296
Changes in scope of consolidation		(296)
Actuarial gains and losses		
Net proceeds for the year		
Contributions paid		
Fair value at December 31	**0**	**0**

18.4.3.2 Reimbursement right relating to Contassur

Changes in the fair value of the reimbursement rights relating to plan assets managed by Contassur were as follows:

	2010	2009
	(in millions of euros)	
Fair value at January 1	143	147
Expected return on plan assets	7	8
Actuarial gains and losses	(5)	17
Actual return	2	25
Employer contributions	18	20
Employee contributions	2	2
Acquisitions/disposals excluding business combinations		(20)
Curtailments		
Benefits paid	(22)	(31)
Fair value at December 31	**142**	**143**

18.4.4 Components of the net periodic pension cost

The net periodic cost recognized in respect of defined benefit obligations for the years ended December 31, 2010 and 2009 breaks down as follows:

[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.

	As of December 31,	
	2010	2009
	(in millions of euros)	
Current service cost	274	248
Interest cost	396	403
Expected return on plan assets	(208)	(180)
Actuarial gains and losses(1)	34	3
Past service cost	(1)	(3)
Gains or losses on pension plan curtailments, terminations and settlements	(11)	(14)
Non-recurring items	(35)	(75)
Total	**449**	**382**
o/w recorded in current operating income	261	159
o/w recorded in net financial income/(loss)	188	223

(1) On long-term benefit obligation

18.4.5 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 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(1)	Total net obligation
	(in millions of euros)				
Underfunded plans	(5,308)	4,086	(15)		(1,237)
Overfunded plans	(345)	361	(2)	(1)	14
Unfunded plans	(3,023)	0	7		(3,016)
At December 31, 2010	**(8,676)**	**4,447**	**(10)**	**(1)**	**(4,239)**
Underfunded plans	(4,094)	2,055	(20)	(1)	(2,060)
Overfunded plans	(1,729)	1,919	(2)	(1)	186
Unfunded plans	(1,803)		10		(1,793)
At December 31, 2009	**(7,626)**	**3,973**	**(12)**	**(2)**	**(3,667)**

(1) Including additional provisions set aside on application of IFRIC 14.

The allocation of plan assets by principal asset category can be analyzed as follows:

	2010	2009
Equities	28%	29%
Bonds	52%	50%
Real estate	3%	3%
Other (including money market securities)	18%	19%
Total	**100%**	**100%**

18.4.6 Actuarial assumptions

Actuarial assumptions are determined individually by country and company in conjunction with independent actuaries. Weighted discount rates are presented below:

	Pension benefit obligations		Other post-employment benefit obligations		Long-term benefit obligations		Total benefit obligations	
	2010	2009	2010	2009	2010	2009	2010	2009
Discount rate(1)	4.8%	4.9%	4.8%	4.9%	4.8%	4.9%	4.8%	4.9%
Estimated future increase in salaries	3.0%	3.7%	N/A	N/A	2.7%	3.8%	2.8%	3.7%
Expected return on plan assets	5.9%	6.2%	5.9%	6.2%	N/A	N/A	5.9%	6.2%
Average remaining working years of participating employees	13 years	14 years	15 years	14 years	15 years	14 years	13 years	14 years

(1) 15-year reference rate for the eurozone.

18.4.6.1 Discounting rates

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.

According to the Group’s estimates, a 1% increase or decrease in the discount rate would result in a change of approximately 11% in the obligations.

18.4.6.2 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 geographic area.

The return on plan assets relating to Group companies in Belgium in 2010 was around 4.75% for assets managed by Group insurance companies and 8% for assets managed by pension funds.

The return on plan assets for companies eligible for the EGI pension scheme was 4.7% in 2010.

According to the Group’s estimates, a 1% increase or decrease in the expected return on plan assets would result in a change of approximately 9% in the value of plan assets.

The table below shows the weighted average return on plan assets broken down by asset category:

	2010	2009
Equities	7.1%	7.6%
Bonds	5.1%	5.1%
Real estate	6.4%	6.3%
Other (including money market securities)	2.6%	2.6%
Total	**5.9%**	**6.2%**

18.4.6.3 Other assumptions

The rate of increase in medical costs (including inflation) was estimated at 3%.

A one percentage point change in the assumed increase in healthcare costs would have the following impacts:

	One point increase	One point decrease
	(in millions of euros)	
Impact on expenses	5	(4)
Impact on pension obligations	50	(43)

18.4.7 Experience adjustments

The breakdown of experience adjustments giving rise to actuarial gains and losses is as follows:

	2010		2009		2008		2007		2006	
	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
	(in millions of euros)									
Projected benefit obligation at December 31	(6,130)	(2,545)	(5,502)	(2,124)	(5,634)	(2,187)	(4,066)	(713)	(4,413)	(804)
Fair value of plan assets	4,399	47	3,934	39	3,831	40	2,452	47	2,406	47
Surplus/deficit	(1,730)	(2,498)	(1,568)	(2,085)	(1,803)	(2,147)	(1,614)	(666)	(2,007)	(757)
Experience adjustments to projected benefit obligation	236	115	(5)	(15)	(95)	12	(12)	(62)	59	(4)
As a % of the total	-4%	-5%	0%	1%	2%	-1%	0%	9%	-1%	1%
Experience adjustments to fair value of plan assets	240	7	176	2	528	12	(9)	1	(19)	1
As a % of the total	5%	15%	4%	6%	14%	29%	0%	3%	-1%	3%

18.4.8 Geographical breakdown of net obligations

In 2010, the geographical breakdown of the main obligations and actuarial assumptions (weighted average rates) was as follows:

	Eurozone			United Kingdom			United States			Rest of the world		
	Pension benefit obli-gations	Other post-employ-ment benefit obli-gations	Long-term benefit obli-gations	Pension benefit obli-gations	Other post-employ-ment benefit obli-gations	Long-term benefit obli-gations	Pension benefit obli-gations	Other post-employ-ment benefit obli-gations	Long-term benefit obli-gations	Pension benefit obli-gations	Other post-employ ment benefit obli-gations	Long-term benefit obli-gations
	(in millions of euros)											
Net benefit obligations	(1,394)	(1,887)	(485)	(34)			(102)	(48)		(200)	(55)	(23)
Discount rate	4.4%	4.7%	4.1%	5.3%			5.5%	5.5%		7.5%	5.2%	5.4%
Estimated future increase in salaries	2.8%	2.1%	2.7%	3.0%			3.1%	3.1%		3.4%	5.0%	3.7%
Expected return on plan assets	5.4%	N/A	N/A	5.7%			8.6%	8.6%		7.8%	4.1%	N/A
Average remaining working years of participating employees	14	15	15	12			13	14		8	11	10

18.4.9 Estimated employer contributions payable in 2011 under defined benefit plans

The Group expects to pay around €148 million in contributions into its defined benefit plans in 2011, including €22 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.

18.5 Defined contribution plans

In 2010, the Group recorded a €113 million charge in respect of amounts paid into Group defined contribution plans (€94 million in 2009). These contributions are recorded under "Personnel costs" in the consolidated income statement.

NOTE 19 EXPLORATION & PRODUCTION ACTIVITIES

19.1 Exploration & Production assets

Exploration & Production assets break down into the following three categories: Exploration & Production licenses, presented under "Intangible assets" in the statement of financial position, fields under development, shown under "Assets in development phase", and fields in production, shown under "Assets in production phase", which are included in "Property, plant and equipment" in the statement of financial position.

	Licenses	Assets in development phase	Assets in production phase	Total
	(in millions of euros)			
A. Gross amount				
At December 31, 2008	**404**	**718**	**5,455**	**6,577**
Changes in scope of consolidation				
Acquisitions	379	574	180	1,132
Disposals	(88)		(1)	(89)
Translation adjustments	2	121	184	307
Other	82	7	9	98

	Licenses	Assets in development phase	Assets in production phase	Total
	(in millions of euros)			
At December 31, 2009	778	1,420	5,827	8,025
Changes in scope of consolidation				
Acquisitions	286	387	89	762
Disposals			(28)	(28)
Translation adjustments	19	46	160	225
Other	17	(1,422)	1,291	(114)
At December 31, 2010	**1,101**	**431**	**7,339**	**8,871**
B. Accumulated amortization, depreciation and impairment				
At December 31, 2008	**(37)**		**(193)**	**(230)**
Changes in the scope of consolidation				
Disposals	4			4
Amortization, depreciation and impairment	(182)		(701)	(883)
Translation adjustments	2		(16)	(13)
Other	(49)	(4)	(141)	(195)
At December 31, 2009	**(262)**	**(4)**	**(1,051)**	**(1,317)**
Changes in scope of consolidation				
Disposals				
Amortization, depreciation and impairment	(85)		(745)	(830)
Translation adjustments	(8)		(20)	(28)
Other		4		4
At December 31, 2010	**(355)**	**0**	**(1,816)**	**(2,171)**
C. Carrying amount				
At December 31, 2009	**516**	**1,416**	**4,776**	**6,708**
At December 31, 2010	**746**	**431**	**5,523**	**6,700**

"Acquisitions" for 2010 notably include licenses acquired in Australia (€257 million) as part of the Bonaparte project, and project developments, notably on the Gjøa and Gudrun fields in Norway (€209 million).

In 2010, impairment mainly relates to licenses in Egypt, Libya and the Gulf of Mexico.

19.2 Capitalized exploration costs

The following table provides a breakdown of the net change in capitalized exploration costs:

	2010	2009
	(in millions of euros)	
At January 1	**75**	**275**
Changes in scope of consolidation		
Capitalized exploration costs for the year	206	121
Amounts recognized in expenses for the period	(63)	(80)
Other	54	(241)
At December 31	**272**	**75**

Capitalized exploration costs are reported in the statement of financial position within "Other assets".

19.3 Investments during the period

Investments for the Exploration & Production business amounted to €647 million and €1,111 million in 2010 and 2009, respectively. Investments are included in “Acquisitions of property, plant and equipment and intangible assets” in the statement of cash flows.

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 categories depending on the type of asset concerned.

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 Cofely’s co-generation plants.

The present values of future minimum lease payments break down as follows:

	Future minimum lease payments at December 31,			
	2010		2009	
	Undiscounted value	Present value	Undiscounted value	Present value
	(in millions of euros)			
Year 1	265	254	185	179
Years 2 to 5 inclusive	695	649	638	579
Beyond year 5	832	559	771	470
Total Future Minimum Lease Payments	**1,792**	**1,462**	**1,594**	**1,227**

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in the statement of financial position (see Note 14.2.1) with undiscounted future minimum lease payments by maturity:

	Total	Year 1	Years 2 to 5 inclusive	Beyond year 5
	(in millions of euros)			
Liabilities under finance leases	1,502	243	431	827
Impact of discounting future repayments of principal and interest	290	22	264	5
Undiscounted Future Minimum Lease Payments	**1,792**	**265**	**695**	**832**

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, Lanxess (Belgium), Bowin (Thailand) and Air Products (Netherlands) in relation to co-generation plants. It has also recognized finance lease receivables on the sale of transmission capacities in Mexico.

	As of December 31,	
	2010	2009
	(in millions of euros)	
Undiscounted future minimum lease payments	720	672
Unguaranteed residual value accruing to the lessor	30	28
Total Gross Investment in the Lease	**749**	**700**
Unearned financial income	**163**	**129**

	As of December 31,	
	2010	2009
	(in millions of euros)	
Net Investment in the Lease (Statement of Financial Position)	**587**	**571**
o/w present value of future minimum lease payments	*571*	*556*
o/w present value of unguaranteed residual value	*15*	*14*

Amounts recognized in the statement of financial position in connection with finance leases are detailed in Note 14.1.2, "Loans and receivables at amortized cost".

Undiscounted future minimum lease payments receivable under finance leases can be analyzed as follows:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Year 1	141	165
Years 2 to 5 inclusive	298	280
Beyond year 5	280	227
Total	**720**	**672**

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 2009 and 2010 can be analyzed as follows:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Minimum lease payments	(831)	(708)
Contingent lease payments	(93)	(135)
Sub-letting income	19	4
Sub-letting expenses	(97)	(103)
Other operating lease expenses	(231)	(120)
Total	**(1,232)**	**(1,062)**

Future minimum lease payments under non-cancelable operating leases can be analyzed as follows:

	As of December 31,	
	2010	2009
	(in millions of euros)	
Year 1	696	608
Years 2 to 5 inclusive	1,715	1,523
Beyond year 5	1,606	1,736
Total	**4,017**	**3,868**

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, Red Hills and Trigen plants in the United States.

Operating lease income for 2009 and 2010 can be analyzed as follows:

	As of December 31,	
	2010	**2009**
	(in millions of euros)	
Minimum lease payments	767	711
Contingent lease payments	12	0
Total	**779**	**711**

Lease income is recognized in revenue.

Future minimum lease payments receivable under non-cancelable operating leases can be analyzed as follows:

	As of December 31,	
	2010	**2009**
	(in millions of euros)	
Year 1	554	481
Years 2 to 5 inclusive	2,037	1,880
Beyond year 5	1,999	2,113
Total	**4,590**	**4,474**

NOTE 22 SERVICE CONCESSION ARRANGEMENTS

SIC 29 – Service Concession Arrangements: Disclosures 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 concession operator.

IFRIC 12 was published in November 2006 and 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;

(b) and 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 expenditure to be made by the concession operator.

In consideration of these obligations, GDF SUEZ is entitled to bill either the local authority granting 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 with 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 also natural 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.

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 of Ecology, Energy, Sustainable Development and Sea, 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 decree provides for the automatic adjustment of these rates on July 1 of each year. The rates 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 4 to 45 years. Pipelines 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 income tax).

NOTE 23 SHARE-BASED PAYMENT

Expenses recognized in respect of share-based payment break down as follows:

Expense for the year	**Notes**	**2010**	**2009**
		(in millions of euros)	
Stock option plans	*23.1*	57	58
Employee share issues	*23.2*	34	—
Share Appreciation Rights(1)	*23.2*	(4)	10
Bonus/performance share plans	*23.3*	34	149
Exceptional bonus	*23.4*	(3)	4
		119	**221**

(1) Set up within the scope of employee share issues in certain countries.

The €102 million decrease in share-based payment expense in 2010 reflects:

- the write-back of expenses recognized in previous reporting periods, due to certain share plans failing to meet performance conditions (see Note 23.3.3.);

- the fall in the volume, and therefore in the cost for the period, of certain share plans due to the failure to meet the performance conditions associated with the plans and to the fact that no new worldwide share ownership plan was launched in the year;

- the implementation of the Group's employee share issue (see Note 23.2.).

23.1 Stock option plans

23.1.1 Stock option policy

No new GDF SUEZ stock option grants were approved by the Group's Board of Directors in 2010.

At the Group's Shareholders' Meeting in 2009, members of the Executive Committee announced their joint decision to waive any stock option grants for 2009. However, they reiterated their commitment to long-term performance-based incentive strategies. In this respect, the Group's Board of Directors resolved to grant 5.2 million new stock purchase options on November 10, 2009. For 700 executive managers, half of the options awarded are subject to a performance condition. This condition states that the options may be exercised if, at the end of the lock-up period, the GDF SUEZ share price is equal to or higher than the exercise price, adjusted to reflect the performance of the Eurostoxx Utilities index over the period from Monday November 9, 2009 to Friday November 8, 2013 inclusive.

23.1.2 Details of GDF SUEZ stock option plans in force

Plan	Date of authorizing AGM	Vesting date	Adjusted exercise price	Number of benefi-ciaries per plan	Number of options granted to members of the Executive Committee (2)	Outstanding options at Dec. 31, 2009	Options exercised(3)	Options canceled(4)	Outstanding options at Dec. 31, 2010	Expiration date	Residual life
11/28/2000	5/5/2000	11/28/2004	32.38	1,347	1,193,708	3,025,231		3,025,231	0	11/28/2010	
12/21/2000	5/5/2000	12/21/2004	33.66	510	153,516	1,061,420		1,061,420	0	12/20/2010	
11/28/2001(1)	5/4/2001	11/28/2005	30.70	3,161	1,784,447	5,701,462		19,119	5,682,343	11/28/2011	0.9
11/20/2002(1)	5/4/2001	11/20/2006	15.71	2,528	1,327,819	1,913,847	135,773	(2,166)	1,780,240	11/19/2012	1.9
11/19/2003(1)	5/4/2001	11/19/2007	12.39	2,069	1,337,540	1,964,238	374,137	(1,067)	1,591,168	11/18/2011	0.9
11/17/2004(1)	4/27/2004	11/17/2008	16.84	2,229	1,320,908	6,178,668	711,661	7,815	5,459,192	11/16/2012	1.9
12/9/2005(1)	4/27/2004	12/9/2009	22.79	2,251	1,352,000	6,390,988	293,301	26,286	6,071,401	12/8/2013	2.9
1/17/2007	4/27/2004	1/17/2011	36.62	2,190	1,218,000	5,831,613		67,996	5,763,617	1/16/2015	4.0
11/14/2007	5/4/2007	11/14/2011	41.78	2,104	804,000	4,552,011		58,941	4,493,070	11/13/2015	4.9
11/12/2008	7/16/2008	11/12/2012	32.74	3,753	2,615,000	6,438,940		63,040	6,375,900	11/11/2016	5.9
11/10/2009	5/4/2009	11/10/2013	29.44	4,036	0	5,240,854		119,448	5,121,406	11/9/2017	6.9
Total					**13,106,938**	**48,299,272**	**1,514,872**	**4,446,063**	**42,338,337**		

(1) Plans exercisable at December 31, 2010.
(2) Corresponding to the Management Committee at the time the options were awarded in 2000 and 2001.
(3) In certain specific circumstances such as retirement or death, outstanding options may be exercised in advance of the vesting date.
(4) Including options under the November 20, 2002 and November 19, 2003 plans that were eliminated by error in 2007.

23.1.3 Number of GDF SUEZ stock options

	Number of options	Average exercise price (in euros)
Balance at December 31, 2009	**48,299,272**	**27.7**
Options granted		
Options exercised	(1,514,872)	16.8
Options canceled	(4,446,063)	32.7
Balance at December 31, 2010	**42,338,337**	**28.6**

The average price of the GDF SUEZ share in 2010 was €25.90.

23.1.4 Fair value of GDF SUEZ stock option plans in force

The fair value of stock option plans is mainly determined using a binomial or Monte Carlo model. The following assumptions were used to calculate the fair value of the plans in force:

	2009 plan	
	without performance condition	with external performance condition
Model	binomial	Monte Carlo
Volatility of GDF SUEZ share(1)	32.4%	32.4%
Risk-free rate(2)	3.1%	3.1%
Volatility of the Eurostoxx Utilities index(3)		18.7%
Correlation(4)		77.3%
	In euros	
Dividend(5)	1.6	1.6
Fair value of options at the grant date	6.27	5.41

(1) Historic volatility restated by excluding the 5% most extreme values.

(2) Risk-free interest rate over the life of the plan.

(3) Historic volatility calculated over a period of eight years, reflecting the maturity of the options.

(4) Correlation between the GDF SUEZ share and the Eurostoxx Utilities index calculated over a period of eight years, reflecting the maturity of the options.

(5) Dividends expected by the market.

23.1.5 Accounting impact

Based on a staff turnover assumption of 5%, the expense recorded during the period in relation to the Group's stock option plans was as follows:

	Expense for the year	
	As of December 31,	
Grant date	2010	2009
	(in millions of euros)	
12/9/2005		10
1/17/2007	17	17
11/14/2007	16	16
11/12/2008	14	14
11/10/2009	8	1
12/17/2009 (SE)	3	0
12/16/2010 (SE)	0	
	57	**58**

The expense recognized includes grants made by SUEZ Environnement on its own shares, including 2,944,200 stock purchase options at an exercise price of €14.20. As well as a minimum presence of four years in the Group, the exercise of these options is also subject to performance conditions. Two conditions have been defined depending on the beneficiary's profile:

- a market performance condition based on the performance of the Suez Environnement Company share compared to the average performance of the CAC 40 and Eurostoxx Utilities indexes over the period from December 15, 2010 to December 15, 2014;

- an internal performance condition based on the Group's cumulative recurring net income between 2010 and 2013 inclusive.

23.1.6 Share Appreciation Rights

The award of Share Appreciation Rights (SARs) to US employees since 2007 (as replacement for stock options) does not have a material impact on the Group's consolidated financial statements.

23.2 Employee share issues

23.2.1 Description of plans available

In 2010, Group employees were entitled to subscribe to employee share issues as part of the Link 2010 worldwide employee share ownership plan. They could subscribe to either:

- the Link Classique plan: this plan allows employees to subscribe to shares either directly or via an employee investment fund at lower-than-market price; or
- the Link Multiple plan: under this plan, employees may subscribe to shares, either directly or via an employee investment fund, and also benefit from any appreciation in the Group share price (leverage effect) at the end of the mandatory lock-up period; or
- 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.

The Link Classique plan featured an employer contribution under the terms and conditions described below.

Participating French employees were entitled to bonus GDF SUEZ shares depending on their own contribution to the plan:

For employees in other countries, GDF SUEZ shares were granted through a bonus share award plan, subject to the employee's presence in the Group and depending on their own contribution to the plan:

- for the first ten shares subscribed, one bonus share was granted for every one share subscribed;
- as from the eleventh share subscribed, one bonus share was granted for every four shares subscribed, up to a maximum of ten shares;
- the number of bonus shares granted was capped at 20 shares per employee for the subscription of 50 shares;
- the bonus shares will be awarded to employees on August 24, 2015, provided that they are still with the GDF SUEZ Group on April 30, 2015.

The method used to value this bonus share award scheme is described in Note 23.3.

23.2.2 Accounting impact

The subscription price for the 2010 plan represents the average opening price of the GDF SUEZ share on the NYSE Euronext Paris Eurolist market over the 20 trading days preceding the decision of the Company's Chairman and Chief Executive Officer setting the start of the subscription/waiver period, less 20%, i.e., €19.78.

The expense recognized in the consolidated financial statements in respect of the Link Classique and Link Multiple plans corresponds to the difference between the fair value of the shares subscribed and the subscription price. Fair value takes into account the condition of non-transferability attached to the shares over a period of five years, as provided for by French legislation. It also considers the opportunity cost implicitly borne by GDF SUEZ under the leveraged share ownership plan in allowing its employees to benefit from more attractive financial conditions than those that would have been available to them as individual investors.

The following assumptions were applied:

- Five-year risk-free interest rate: 1.92%;
- Spread applicable to the retail banking network: 3.20%;
- Employee financing costs: 5.12%;
- Share borrowing costs: 1.0%;
- Share price at grant date: €25.09;
- Volatility spread: 6.0%.

Based on the above, the Group recognized a total expense of €34 million for 2010 in respect of the 24.2 million shares subscribed and 0.5 million bonus shares awarded under employer contributions, bringing the final amount of the share issue and related additional paid-in capital to €478 million (excluding issuance costs).

	Link Classique	**Link Multiple**	**France - additional employer's contribution**	**Total**
Amount subscribed (in millions of euros)	60	418	0	478
Number of shares subscribed (in millions of shares)	3.0	21.2	0.5	24.7
Discount (€/share)	5.0	5.0	25.1	
Non-transferability restriction (€/share)	(5.3)	(5.3)	(5.4)	
Opportunity cost (€/share)		1.5		
Cost for the Group (in millions of euros)	**0**	**23**	**10**	**34**
Sensitivity analysis				
+0.5% increase in employee financing costs	0	(15)	0	(15)
+0.5% increase in opportunity cost	0	3	0	3

The accounting impact of 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, 2010, the fair value of the liability relating to the 2007 and 2010 awards amounted to €2 million. The Spring 2005 plan matured on December 29, 2010, resulting in the exercise of warrants for an amount of €14 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 gain of €4 million, including €7 million in respect of SARs awarded as part of the Link 2010 plan.

23.3 Bonus shares and performance shares

23.3.1 Plans in force at December 31, 2010 and impact on income

The expense recorded during the period in relation to the bonus share plans in force is as follows:

Grant date	**Number of shares awarded(1)**	**Fair value per share(2)**	**Expense for the year As of December 31, 2010**	**2009**
		(in euros)	**(in millions of euros)**	
February 2007 plan (SUEZ)	989,559	36.0		3
June 2007 plan (GDF)	1,539,009	33.4		8
July 2007 plan (SUEZ)	2,175,000	37.8	9	19
August 2007 plan (SUEZ)	193,686	32.1	1	1
November 2007 plan (SUEZ)	1,244,979	42.4	(14)	20
May 2008 plan (GDF)	1,586,906	40.3	(8)	29
June 2008 plan (SUEZ)	2,372,941	39.0	(4)	30
November 2008 plan (GDF SUEZ)	1,812,548	28.5	(3)	19

Grant date	Number of shares awarded(1)	Fair value per share(2)	Expense for the year As of December 31, 2010	2009
July 2009 plan (GDF SUEZ)	3,297,014	19.7	26	12
July 2009 plan (SUEZ Environnement)	2,040,810	9.6	7	3
November 2009 plan (GDF SUEZ)	1,693,840	24.8	15	2
December 2009 plan (SUEZ Environnement)	173,852	12.3	1	0
January 2010 plan (ExCom)	348,660	18.5	3	
March 2010 plan (Gaselys)	51,112	21.5	0	
August 2010 plan (Link)	207,947	19.4	0	
December 2010 plan (SUEZ Environnement)	829,080	10.8	0	
			34	**149**

(1) Number of shares awarded after adjustments relating to the merger with Gaz de France in 2008.

(2) Weighted average (where applicable).

23.3.2 Bonus shares and performance shares granted in 2010

Performance share plan of January 20, 2010

On January 20, 2010, the Board of Directors authorized the allocation of 348,660 performance shares to members of the Management Committee and the Executive Committee. The plan is subject to the following conditions:

- presence in the Group at March 14, 2012;
- non-transferability restriction applicable to the shares until March 14, 2014;
- internal performance condition related to Group EBITDA in 2011 (for half of the shares allocated);
- external performance condition related to the performance of the GDF SUEZ share with respect to changes in the Eurostoxx Utilities index over the vesting period (for the other half of the shares allocated).

Performance share plan of March 3, 2010

On March 3, 2010, the Board of Directors authorized the allocation of 51,112 GDF SUEZ performance shares to certain employees of Gaselys. This plan did not have a material impact on income for the period.

Bonus share plan of August 24, 2010

As part of the employee share issue, bonus shares were awarded to subscribers of the Link Classique plan outside France (based on one bonus share for the first ten shares subscribed, and then one bonus share for every four shares subscribed over and above the first ten, up to a maximum of twenty bonus shares per beneficiary). A total of 207,947 bonus shares were awarded under this plan, subject to a condition requiring employees to be with the GDF SUEZ Group on April 30, 2015.

SUEZ Environnement plan of December 16, 2010

The Board of Directors of SUEZ Environnement granted 829,080 performance shares to 2,127 beneficiaries. This plan supplements the stock option plan approved at the same Board meeting and has the same objectives as that plan. Vesting is contingent on a minimum presence of between two to four years in the Group, depending on the country and beneficiary. Shares granted under French plans are also subject to a two-year lock-up period. Vesting is also subject to performance conditions.

For the 978 grantees also receiving stock options, the following two conditions must be met:

- a market performance condition based on the performance of the Suez Environnement Company share compared to the average performance of the CAC 40 and Eurostoxx Utilities indexes over the period from December 15, 2010 to December 15, 2014;
- an internal performance condition based on the Group's cumulative recurring net income between 2010 and 2013 inclusive.

For the 1,149 grantees only receiving performance shares and not stock options, all shares granted are subject to an internal performance condition based on the Group's EBITDA between 2011 and 2012 inclusive.

23.3.3 Review of internal performance conditions applicable to the plans

Eligibility for certain bonus share and performance share plans is subject to an internal performance condition. When this condition is not fully met, the number of bonus shares granted to employees is reduced in accordance with the plans' regulations, leading to a decrease in the total expense recognized in relation to the plans in accordance with IFRS 2.

Performance conditions are reviewed at each reporting date. Besides the plans expiring in the first half of 2010, the number of performance shares granted under the November 2008 plan was adapted in 2010 in line with the EBITDA condition specified in the plans regulations.

23.3.4 Fair value of bonus shares and performance shares

The fair value of GDF SUEZ performance shares was calculated using the method described in Note 1 to the consolidated financial statements for the year ended December 31, 2010 (Note 1.4.14.2). The following assumptions were used to determine the fair value of each new plan awarded in 2010 and included in the table in Note 23.3.1:

	August 2010 plan (Link)	March 2010 plan (Gaselys)	January 2010 plan (ExCom)		November 2009 plan (GDF SUEZ)	July 2009 plan (GDF SUEZ)
Share price at grant date (€/share)	25.1	27.4	28.7	28.7	29.4	24.8
Expected dividend rate	6%	6%	6%	6%	6%	6%
Employee financing costs	N/A(1)	6.7%	6.7%	6.7%	7.2%	7.2%
Non-transferability restriction (€/share)	0(1)	(1.7)	(1.9)	(1.9)	(1.0)	(1.0)
Stock market-related performance condition	no	no	no	yes	no	no
Fair value per share (€/share)	19.4	21.5	23.7	13.4	24.8	19.7

(1) No non-transferability condition exists with respect to this plan.

23.4 SUEZ exceptional bonus

In November 2006, SUEZ introduced a temporary exceptional bonus award plan aimed at rewarding employee loyalty and involving employees more closely in the Group's success. This plan, which matured on June 1, 2010, provided for payment of an exceptional bonus equal to the value of four SUEZ shares at June 1, 2010 and gross dividends for 2005-2009 (including any special dividends), paid at the latest on May 31, 2010. Since the merger, the calculation has been based on a basket of shares comprising one GDF SUEZ share and one Suez Environnement Company share.

On June 1, 2010, the final value of the bonus amounted to €141.60.

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.

Income of €2.6 million was recognized in 2010 to reflect a fall in the value of the exceptional bonus between December 2009 and June 2010.

NOTE 24 RELATED PARTY TRANSACTIONS

This note describes material transactions between the Group and its related parties. The Group has elected to early adopt the provisions of IAS 24 revised regarding exemptions to disclosures by government-related entities. Accordingly, the new definition of a related party in the revised standard has not been applied in the consolidated financial statements for the year ended December 31, 2010.

Compensation payable to key management personnel is disclosed in Note 25, "Executive compensation".

The Group's main subsidiaries (fully consolidated companies) are listed in Note 28, "List of the main consolidated companies at December 31, 2010". Only material transactions are described below.

24.1 Relations with the French State and with entities owned or partly owned by the French State

24.1.1 Relations with the French State

Further to the merger between Gaz de France and SUEZ on July 22, 2008, the French State owns 36.05% of GDF SUEZ and appoints 6 representatives to the Group's 21-member Board of Directors.

The French State holds a golden share aimed at protecting France's critical interests and ensuring the continuity and safeguarding of supplies in the energy sector. The golden share is granted to the French State indefinitely and entitles it to veto decisions taken by GDF SUEZ if it considers they could harm France's interests.

Public service engagements in the energy sector are defined by the law of January 3, 2003.

They are implemented by means of a new public service contract dated December 23, 2009, which sets out the Group's public service obligations and the conditions for rate regulation in France:

- as part of its public service obligations, the Group is reinforcing its commitments in terms of the protection of goods and individuals, solidarity and assistance to low-income customers, sustainable development and research;
- regarding the conditions for rate regulation in France, a decree was published in connection with the contract redefining the overall regulatory framework for setting and changing natural gas rates in France. The mechanism as a whole provides clearer direction on the conditions for changing regulated rates, notably through rate change forecasts based on costs incurred. It also establishes rules and responsibilities for the various players over the period 2010-2013.

Transmission rates on the GRT Gaz transportation network and the gas distribution network in France, as well as rates for accessing the French LNG terminals, are all regulated. Rates are set by Ministerial decree.

24.1.2 Relations with EDF

Following the creation on July 1, 2004 of the French gas and electricity distribution network operator (EDF Gaz de France Distribution), Gaz de France SA and EDF entered into an agreement on April 18, 2005 setting out their relationship as regards the distribution business. The December 7, 2006 law on the energy sector reorganized the natural gas and electricity distribution networks. ERDF SA, a subsidiary of EDF SA, and GRDF SA, a subsidiary of GDF SUEZ SA, were created on January 1, 2007 and January 1, 2008, respectively, and act in accordance with the agreement previously signed by the two incumbent operators.

24.2 Relations with the CNIEG (Caisse Nationale des Industries Electriques et Gazières)

The Group's relations with the CNIEG, which manages all old-age, death and disability benefits for active and retired employees of the Group who belong to the special EGI pension plan, employees of EDF, and Non-

Nationalized Companies (Entreprises Non Nationalisées – ENN), are described in Note 18, "Post-employment benefits and other long-term benefits".

24.3 Transactions with joint ventures and associates

24.3.1 Joint ventures

EFOG (United Kingdom)

GDF SUEZ has an interest of 22.5% in EFOG.

The Group purchased gas for €257 million from EFOG in 2010 (€226 million in 2009).

As part of its policy of pooling surplus cash, the Group received cash advances from EFOG. The outstanding amount of these advances totaled €115 million at December 31, 2010 and €101 million at December 31, 2009.

Acea-Electrabel group (Italy)

GDF SUEZ 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 €100 million in 2010, compared with €61 million in 2009.

GDF SUEZ has also granted loans to the Acea-Electrabel group, in respect of which €349 million remained outstanding at December 31, 2010 versus €345 million at end-2009.

SPP group (Slovakia)

GDF SUEZ holds a 24.5% interest in the SPP group.

Natural gas sales and other services billed to the SPP group amounted to €125 million in 2010 and €14 million in 2009.

Natural gas purchases and other services provided by the SPP group amounted to €124 million in 2010 and €48 million in 2009.

24.3.2 Associates

Elia System Operator (ESO)/Elia

Elia was sold in May 2010 generating a capital gain of €238 million.

Prior to this sale, Elia, which was set up in 2001, was 24.36%-owned by Electrabel.

Elia is a 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 €131.0 million in 2009.

The Group rendered services to ESO/Elia for a total amount of €131 million in 2009.

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 €2,012 million in 2010, compared with €1,985 million in 2009.

Receivables relating to gas and electricity supply stood at €12 million at December 31, 2010, versus €28 million at December 31, 2009.

At December 31, 2010, Electrabel has granted cash advances to the inter-municipal companies totaling €123 million (€135 million at December 31, 2009).

Contassur

Contassur is a life insurance company accounted for under the equity method. It is 15%-owned by Electrabel.

Contassur offers insurance contracts, chiefly with pension funds that cover post-employment benefit obligations for Group employees and also employees of other companies mainly engaged in regulated activities in the electricity and gas sector in Belgium.

These insurance policies give rise to reimbursement rights, and are therefore recorded under "Other assets" in the statement of financial position for €142 million at December 31, 2010 and €143 million at December 31, 2009.

NOTE 25 EXECUTIVE COMPENSATION

The Group's key management personnel comprise the members of the Executive Committee and Board of Directors. Their compensation breaks down as follows :

	As of December 31,	
	2010	**2009**
	(in millions of euros)	
Short-term benefits	33	32
Post-employment benefits	4	4
Share-based payment	17	11
Termination benefits	2	–
Total	**56**	**47**

NOTE 26 LEGAL AND ANTI-TRUST PROCEEDINGS

The legal and arbitration proceedings presented hereafter are recognized as liabilities or are presented for information purposes. The Group has not identified any material contingent liabilities other than the disputes discussed below that would be likely to result in an outflow of resources for the Group.

The Group is party to a number of legal and anti-trust 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 end of the reporting period 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 proceedings totaled €638 million at December 31, 2010 (€481 million at December 31, 2009).

26.1 Legal proceedings

26.1.1 Electrabel – Hungarian state

Electrabel filed international arbitration proceedings against the Hungarian state before the International Centre for Settlement of Investment Disputes (ICSID), for breach of obligations pursuant to the Energy Charter Treaty. Initially, the dispute mainly pertained to (i) electricity prices set in the context of a long-term power purchase agreement (PPA) entered into between the power plant operator Dunamenti (in which Electrabel owns a 74.82% interest) and MVM (a company controlled by the Hungarian state) on October 10, 1995, and (ii) allocations of CO_2 emission allowances in Hungary. The arbitration hearing took place in February 2010 and the arbitrators will hand down their verdict on the question of liability shortly.

Following (i) the decision by the European Commission of June 4, 2008, according to which the long-term PPAs in force at the time of Hungary's accession to the EU (including the agreement between Dunamenti and MVM) has been deemed illegal State aid incompatible with the EU Treaty, and (ii) Hungary's subsequent decision to terminate these agreements, Electrabel extended its request in order to obtain compensation for the harm suffered as a consequence of such termination. In April 2010, the European Commission approved the method developed by the Hungarian authorities to calculate the amount of State aid and stranded costs. (Refer also to Note 26.2.4 "Competition and concentration"/Long-term Power Purchase Agreements in Hungary").

Furthermore, the European Commission petitioned the arbitration tribunal for amicus curiae participation on August 13, 2008, but this request was refused. The arbitration tribunal temporarily suspended its investigation into certain issues over which the Hungarian state claims it lacks jurisdiction, but authorized Electrabel to file an additional claim for damages, which was subsequently withdrawn by the latter.

26.1.2 Slovak Gas Holding

Slovak Gas Holding ("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.

SGH has taken preliminary steps towards international arbitration proceedings against the Slovak Republic for breach of obligations under (i) the Bilateral Treaty, entered into by the Slovak Republic with the Czech Republic on the one hand and the Netherlands on the other hand, and (ii) the Energy Charter Treaty.

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 between the parties are still ongoing.

26.1.3 Squeeze-out bid for 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 the claim unfounded.

Deminor and others appealed the decision before the Court of Cassation on May 22, 2009. These appeal proceedings are still ongoing.

MM. Geenen and others initiated similar proceedings before the Brussels Court of Appeal, which were rejected on the grounds that the application was void. A new application was filed, without involving Electrabel and the Belgian Banking, Financial and Insurance Commission. The case was heard on October 21, 2008 and judgment was reserved. A new hearing was scheduled for September 22, 2009. By a ruling issued on December 24, 2009, the Court dismissed Geenen's appeal on procedural grounds.

Mr Geenen appealed this decision before the Court of Cassation on June 2, 2010. These proceedings are still ongoing.

26.1.4 AES Energia Cartagena

GDF SUEZ is involved in arbitration proceedings lodged by AES Energia Cartagena before the ICC International Court of Arbitration in September 2009 in connection with the Energy Agreement dated April 5, 2002. The Energy Agreement governs the conversion by AES Energia Cartagena of gas supplied by GDF SUEZ into electricity at the combined cycle power plant located in Cartagena, Spain.

The proceedings relate to the question as to which of the parties should bear past and future costs and expenditures arising in connection with the power plant, and in particular those relating to CO_2 emissions permits, property taxes and social subsidies.

The hearings are being held in London. The arbitral awards should be rendered soon, except in the event of a mutually agreed suspension or interruption.

26.1.5 Argentina

In Argentina, concession contract tariffs were frozen by a Public Emergency and Exchange Regime Reform Act (Emergency Act) enacted in January 2002, preventing the application of tariff indexation clauses in the event of a loss in value of the Argentine peso against the US dollar.

In 2003, SUEZ (now GDF SUEZ) and its joint shareholders, water distribution concession operators in Buenos Aires and Santa Fe, launched arbitration proceedings against the Argentine State in its capacity as concession grantor before the ICSID. The purpose of these proceedings is to enforce concession contract clauses in accordance with the Franco-Argentine Bilateral Investment Protection Treaties.

These ICSID arbitration proceedings aim at obtaining compensation for the loss of value of investments made since the start of the concession, as a consequence of measures taken by the Argentine state, following the adoption of the abovementioned Emergency Act. In 2006, the ICSID recognized its jurisdiction over the two disputes. The hearings for both proceedings took place in 2007. Alongside the ICSID proceedings, the concession operators Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to launch proceedings to terminate their concession contracts before the local administrative courts.

However, due to a decline in the financial position of the concession-holding companies since the Emergency Act, Aguas Provinciales de Santa Fe announced at its Shareholders' Meeting of January 13, 2006 that it was filing for bankruptcy.

At the same time, Aguas Argentinas filed for "Concurso Preventivo" (similar to the French bankruptcy procedure). As part of this procedure, a settlement proposal involving the novation of Aguas Argentinas's admissible liabilities was approved by creditors and confirmed by the bankruptcy court on April 11, 2008. The settlement of these liabilities is underway. The proposal provides for an initial payment of 20% of these liabilities (approximately USD 40 million) upon approval, and a second payment of 20% in the event that compensation is obtained from the Argentine state. As controlling shareholders, GDF SUEZ and Agbar decided to financially support Aguas Argentinas in making this initial payment and paid sums of USD 6.1 million and USD 3.8 million respectively, at the time of confirmation.

As a reminder, prior to the merger of SUEZ and Gaz de France and the stock market listing of Suez Environnement Company, SUEZ and SUEZ Environnement entered into an agreement 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.

By two decisions dated July 30, 2010, ICSID recognized the liability of the Argentine state in the termination of water distribution and treatment concession contracts in Buenos Aires and Santa Fe. Following these two decisions, the arbitration tribunal will set, in the coming months, the amount of the award to be paid in compensation of the losses sustained.

26.1.6 United Water - Lake DeForest

In March 2008, some of the local residents of the Hackensack river area in Rockland County (NY) filed a claim beforethe Supreme Court of the State of New York for a total of USD 66 million (later increased to USD 130 million) against United Water (SUEZ Environnement Group) owing to flooding caused by torrential rain.

Those residents point out that the negligence of United Water in the maintenance of the Lake DeForest dam and reservoir adjoining the Lake DeForest reservoir which, following the torrential rain, allegedly ceased to function correctly preventing the draining-off of water into the Hackensack river on which it is built, ultimately resulting in the flooding of the residents' homes. As a result of the rainwater drainage system operated by United Water overflowing upstream of the dam, the residents, despite living in a flood-prone area, have filed a compensatory damages claim for USD 65 million and for punitive damages of the same amount against United Water for alleged negligence in the maintenance of the Lake DeForest dam and reservoir.

United Water does not consider itself responsible for the flooding or for the maintenance of the dam and reservoir and believes these allegations should be dismissed. United Water filed a motion to dismiss these claims in July 2009 on the ground that it was not obliged to operate the dam as a means of flood prevention. This motion was denied on August 27, 2009, and this rejection was confirmed on June 1, 2010. United Water has appealed this decision.

The claim for punitive damages was dismissed on December 21, 2009. This dismissal was confirmed on February 11, 2010 following an appeal by the residents. A further appeal was filed by the plaintiffs. A decision on the merits of the case is expected towards the end of the first half of 2011.

26.1.7 Novergie

Novergie Centre Est (a SUEZ Environnement Group company) used to operate a household waste incineration plant in Gilly-sur-Isère near Albertville (in the Savoie region), which was built in 1984 and is owned by the semi-public corporation, SIMIGEDA (an intercommunal semi-public waste management company in the Albertville district). In 2001, high levels of dioxin were detected near the incineration plant and the Prefect of the Savoie region ordered the closure of the plant in October 2001.

Complaints and claims for damages were filed in March 2002 against, among others, the president of SIMIGEDA, the Prefect of the Savoie region and Novergie Centre Est for poisoning, endangering the lives of others, and non-intentional assault and battery, with respect to dioxin pollution allegedly caused by the incineration plant. In the first half of 2009, the French Court of Cassation upheld the decision of the examining chamber of the Lyon Court of Appeal rejecting the action.

Novergie Centre Est was indicted on December 22, 2005 on counts of endangering the lives of others and breaching administrative regulations.

As part of these proceedings, investigations ordered by the court showed that there had been no increase in the number of cases of cancer in neighboring populations.

On October 26, 2007, the judge in charge of investigating the case dismissed the charges against natural persons indicted for endangering the lives of others. However, the judge ordered that SIMIGEDA and Novergie Centre Est be sent for trial before the criminal court of Albertville for having operated the incinerator "without prior authorization, due to the expiration of the initial authorization as a result of significant changes in operating conditions". On September 9, 2009, the examining chamber of the Chambéry Court of Appeal upheld the decision to dismiss charges of endangering the lives of others made against the Novergie employees.

Having noticed that those primarily responsible for the offenses in question would not be present at the criminal court hearing on September 28, 2010, Novergie Centre Est brought an action against unknown persons for contempt of court and fraudulently organizing insolvency.

The hearing before the criminal court was held on November 29, 2010. Judgment has been reserved until May 23, 2011.

26.1.8 Société des Eaux du Nord

Negotiations have been initiated since 2008/2009 between Lille Métropole metropolitan district (Lille Métropole Communauté Urbaine - LMCU) and Société des Eaux du Nord (SEN), a subsidiary of Lyonnaise des Eaux France, within the framework of the five-yearly review of the drinking water distribution concession contract. In particular, these negotiations pertained to the inferences to be drawn from the addenda signed in 1996 and 1998 as regards SEN's renewal obligations.

As LMCU and SEN failed to reach an agreement as to the provisions governing the review of the contract, at the end of 2009 they decided to refer the matter to the arbitration commission in accordance with the contract. The commission, chaired by Michel Camdessus, made recommendations.

On June 25, 2010, without following the Commission's recommendations, the LMCU Community Council unilaterally approved the signature of an addendum to the contract which provides for the issuing of a demand for payment of an amount of €115 million to SEN corresponding to the immediate repayment of the unused portion of the outstanding provisions for renewal costs plus interest as estimated by LMCU.

Two appeals seeking annulment of the LMCU Community Council's decision of June 25, 2010, as well as decisions adopted in implementation thereof, were submitted to the Administrative Court of Lille on September 6, 2010 by SEN, as well as by Lyonnaise des Eaux France in its capacity as a shareholder of SEN.

26.1.9 Togo Électricité

In February 2006, the Togolese state took possession of all of the assets of Togo Électricité, without any indemnification. It instituted several proceedings, one of them being against Togo Électricité, a GDF SUEZ (Energy Services) company and then subsequently against GDF SUEZ, seeking an order for payment by the two companies of compensation of between FCFA 27 billion and FCFA 33 billion (between €41 million and €50 million) for breach of contract.

In March 2006, Togo Électricité instituted arbitration proceedings, which were joined by GDF SUEZ, before the ICSID against the Togolese state, following the adoption of governmental decrees which terminated the concession contract held by Togo Électricité since December 2000 for the management of Togo's public power supply service.

On August 10, 2010, the ICSID rendered its award ordering the Republic of Togo to pay Togo Électricité €60 million plus interest at a yearly rate of 6.589% as from 2006. The Congo state brought an action, seeking the annulation of the arbitration award. An ad hoc committee of the ICSID was set up to review the Togolese state's request. Its decision is expected in 2011.

26.1.10 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 building permit for the terminal was issued the same day by a second prefectural order. These two orders have been challenged in court.

Two actions for annulment of the building permit were filed with the Administrative Court of Marseille, one by the Fos-sur-Mer authorities and the other by the Syndicat d'agglomération nouvelle (SAN). These actions were dismissed by the Court on October 18, 2007. The Fos-sur-Mer municipality appealed this decision on December 20, 2007 but later withdrew from the proceedings on January 11, 2010.

The order authorizing the operation of the terminal 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.

By a judgment of June 29, 2009, the Administrative Court of Marseille cancelled the prefectural order authorizing the operation of the Fos Cavaou terminal. Elengy, which represents the rights of GDF SUEZ in these proceedings and the Minister of Ecology, Energy, Sustainable Development and Sea, filed an appeal on July 9, 2009 and on September 28, 2009, respectively. These proceedings are still ongoing.

On October 6, 2009, the Prefect of the Bouches du Rhône department issued an order requiring Elengy to apply for an operating permit for the terminal by June 30, 2010 at the latest in order to comply with administrative regulations. The order enables the building work to be continued and the terminal to be partially operated, subject to specific regulations.

On January 19, 2010, ADPLGF filed an appeal with the Administrative Court of Marseille for the annulment of this prefectural order. ADPLGF withdrew its claim before this court on January 4, 2011.

On August 25, 2010, the Prefect of the Bouches du Rhône department issued a new order modifying the order of October 6, 2010 and allowing for the unrestricted temporary operation of the terminal pending the fulfillment of all administrative formalities.

In compliance with the order dated October 6, 2009, Elengy applied for an operating permit with the Prefect on June 30, 2010.

26.1.11 Claims by the Belgian tax authorities

The Belgian tax authorities' Special Tax Inspectorate is claiming €188 million from SUEZ-Tractebel SA, a GDF SUEZ company, concerning past investments in Kazakhstan. SUEZ-Tractebel SA has filed an appeal against this claim. As the Belgian tax authorities decision is still pending after 10 years, an appeal was lodged with the Brussels Court of First Instance in December 2009.

The Special Tax Inspectorate taxed financial income generated in Luxembourg by the Luxembourg-based cash management branches of Electrabel and SUEZ-Tractebel SA This financial income, which was already taxed in Luxembourg, is exempt of taxes in Belgium in accordance with the Belgium-Luxembourg Convention for the prevention of double taxation. The Special Tax Inspectorate refuses this exemption on the basis of an alleged abuse of rights. The tax assessed in Belgium amounts to €245 million for the period 2003 to 2007. The Group has challenged the Special Tax Inspectorate's decision before the Brussels Court of First Instance. A first hearing, ruling on a peripheral question and not on the main issue, is expected for the end of 2011.

26.1.12 Objection to a provision of Belgian tax law

On March 23, 2009, Electrabel (GDF SUEZ Group) filed an appeal with the Belgian Constitutional Court seeking the annulment of the December 22, 2008 framework act (loi-programme) provisions imposing a €250 million tax on nuclear power generators (including €222 million paid by Electrabel). The Constitutional Court rejected this claim by a decision dated March 30, 2010. The December 23, 2009 act has imposed the same tax in respect of 2009 and the December 29, 2010 act in respect of 2010. In compliance with this statute, the Group has paid €213 million for 2009 and €212 million for 2010. Pursuant to a Memorandum of Understanding signed on October 22, 2009 between the Belgium state and the Group, this tax should not have been renewed but should have been replaced by a contribution related to the extension and period over which certain power facilities are operated.

26.1.13 Claim by the US tax authorities (IRS)

Some US subsidiaries within GDF SUEZ Energy North America were subject to a tax audit by the IRS for the years 2004 and 2005. The amounts initially claimed were reduced in 2009 and 2010 following appeal. The remaining disputed amounts for these periods correspond to net tax and interest in the amount of USD 10 million. These subsidiaries were also recently subject to a tax audit by the IRS for the years 2006 and 2007. Following this audit, the amounts assessed and contested for these periods correspond to net tax and interest in the amount of USD 5 million.

26.1.14 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 by SUEZ of a tax receivable in 2005 for an amount of €995 million. On July 7, 2009, they informed GDF SUEZ that they maintained their position. GDF SUEZ is waiting for the tax assessment notice.

26.1.15 Claim by the Brazilian tax authorities

On December 30, 2010, Tractebel Energia received a tax assessment notice in the amount of BRL 322 million (€140 million) for the period 2005 to 2007. The Brazilian tax authorities mainly disallow deductions related to tax incentives (consideration for intangible assets), in particular assets relating to the Jacui project. Tractebel Energia will contest the tax assessment notice as it believes that the Brazilian tax authorities' arguments are not justified.

26.2 Competition and concentration

26.2.1 "Accès France" proceeding

On May 22, 2008, the European Commission announced its decision to initiate formal proceedings against Gaz de France for a suspected breach of EU rules pertaining to abuse of dominant position and restrictive business practices. The proceedings relate to a combination of long-term transport capacity reservation and a network of import agreements, as well as potential underinvestment in transport and import infrastructure capacity.

On June 22, 2009, the Commission sent GDF SUEZ, GRTgaz and Elengy a preliminary assessment in which it alleged that GDF SUEZ might have abused its dominant position in the gas sector by foreclosing access to gas import capacity in France. On June 24, 2009, GDF SUEZ, GRTgaz and Elengy offered commitments in response to the preliminary assessment, while expressing their disagreement with the conclusions it contained.

These commitments were submitted to a market test on July 9, 2009, following which the Commission informed GDF SUEZ, GRTgaz and Elengy of how third parties had responded. On October 21, 2009, GDF SUEZ, GRTgaz and Elengy filed amended commitments aimed at facilitating access to and competition on the French natural gas market. The Commission adopted on December 3, 2009 a decision that renders these commitments legally binding. This decision by the Commission put an end to the proceedings initiated in May 2008. GDF SUEZ, GRTgaz and Elengy have begun to fulfill the commitments under the supervision of a trustee (Société Advolis) approved by the European Commission.

26.2.2 Megal

On June 11, 2008, Gaz de France received a statement of objections from the European Commission in which it voices its suspicions of concerted practice 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 and a hearing took place on October 14, 2008. On July 8, 2009, the Commission fined GDF SUEZ and E.ON €553 million each for agreeing not to compete against each other in their respective gas markets. GDF SUEZ has paid the fine. The Commission considered that these restrictive business practices, which ended in 2005, had begun in 1975 when the agreements relating to the Megal pipeline were signed and GDF SUEZ and E.ON had agreed not to supply gas transported via the Megal pipeline to customers in their respective markets.

GDF SUEZ brought an action for annulment before the General Court of the European Union on September 18, 2009. The appeal is pending. The written phase of the proceedings brought before the Court continued throughout 2010. The next step is the oral phase of the proceedings which will begin with a date being set for the hearing and any potential preparatory questions the Court may have.

26.2.3 Compagnie Nationale du Rhône

On June 10, 2009, the European Commission decided to impose a fine of €20 million on Electrabel for (i) having acquired control of Compagnie Nationale du Rhône (CNR) at the end of 2003, without its prior approval (ii) and for having carried out this control acquisition before its authorization by the European Commission. The decision was handed down further to a statement of objections sent by the Commission on December 17, 2008, to which Electrabel responded in its observations in reply filed on February 16, 2009. On August 20, 2009 Electrabel brought an action for annulment of the Commission's decision before the General Court of the European Union. The appeal is pending. The written phase of the proceedings before the Court continued throughout 2010. The next step is the oral phase which will begin with a date being set for the hearing before the Court.

26.2.4 Long-term Power Purchase Agreements in Hungary

The European Commission handed down a decision on June 4, 2008, according to which the long-term Power Purchase Agreements entered into between power generators and the Hungarian state, which were in force at the time of Hungary's accession to the European Union, constituted illegal State aid, incompatible with the Treaty on the Functioning of the European Union. It asked the Hungarian state to review these contracts, recover the related State aid from the power generators and, when necessary, to indemnify the parties to the agreements via a compensation mechanism for stranded costs. The Group is directly involved as its subsidiary Dunamenti is a party to a long-term Power Purchase Agreement entered into with MVM, Hungary's state-owned power company, on October 10, 1995. Following the Commission's decision, the Hungarian government passed a law providing for the termination of the Power Purchase Agreements with effect from December 31, 2008 and the recovery of the related State aid. Dunamenti brought an action before the General Court of the European Union on April 28, 2009 for annulment of the Commission's decision. The proceedings are still ongoing. The written phase of the proceedings brought before the Court continued throughout 2010. The Parties filed their statements (the European Commission filed a statement of defense on October 19, 2009, and GDF SUEZ filed a reply on December 4, 2009, to which the Commission replied with a rejoinder on February 16, 2010). The next step is the oral phase of the proceedings which will begin with a date being set for the hearing and any potential preparatory questions the Court may have.

At the same time, discussions took place between the Hungarian state and the European Commission regarding the amount of State aid to be recovered, which must be approved by the Commission, and the compensation mechanism for stranded costs. On April 27, 2010, the European Commission rendered a decision allowing Dunamenti to offset the amount of the illegal State aids and stranded costs, thereby removing any obligation by the latter to pay back the illegal State aid. In 2015, at the initial expiration date of Dunamenti's long-term Power Purchase Agreement, Hungary will recalculate the amount of stranded costs, which could result in Dunamenti having to reimburse aid at that time. (Refer also to Note 26.1.1 "Legal proceedings/Electrabel – Hungarian state").

26.2.5 Investigation on the term of electricity supply contracts in Belgium

In July 2007, the European Commission started an investigation into electricity supply contracts entered into by the Group with industrial customers in Belgium. The investigation is ongoing and Electrabel, a GDF SUEZ company, is cooperating with the Directorate-General for Competition. The last questionnaire received from the European Commission dates back to July 31, 2009. It was returned on November 9, 2009.

26.2.6 Inquiry into the Belgian electricity wholesale market

In September 2009, the Belgian competition authority (Autorité Belge de la Concurrence) organized raids on several companies operating in Belgium's electricity wholesale market, including Electrabel, a GDF SUEZ company.

26.2.7 Unwinding of cross-shareholdings between Compagnie Générale des Eaux and Lyonnaise des Eaux France

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 Environnement) and Lyonnaise des Eaux France (a subsidiary of Suez Environnement Company) created a collective dominant position of 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 compel them 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-shareholdings in these joint subsidiaries. Lyonnaise des Eaux France and Veolia Eau-Compagnie Générale des Eaux complied with the request and entered into an agreement in principle to this effect on December 19, 2008. On July 30, 2009, the Commission authorized the purchase by Veolia Eau of Lyonnaise des Eaux's stake in three of the joint subsidiaries. The European Commission authorized the purchase by Lyonnaise des Eaux of the six other joint subsidiaries on August 5, 2009. An amendment to the December 2008 agreement was signed on February 3, 2010, providing for the purchase by Lyonnaise des Eaux of Veolia Eau's stake in two of the three joint subsidiaries that were initially going to be bought out by Veolia Eau. A further request for authorization, reflecting the terms and conditions of this amendment, was submitted to the European Commission. The European Commission authorized the transaction by a decision dated March 18, 2010. These cross shareholdings have been unwound since March 23, 2010.

26.2.8 Inquiry into the water distribution and treatment sector in France

In April 2010, the European Commission conducted inspections in the offices of different French companies working in the water and water treatment sector with respect to their possible involvement in practices which fail to comply with Articles 101 and 102 of the Treaty on the Functioning of the European Union. Inspections were conducted within Suez Environnement Company and Lyonnaise des Eaux France.

A door seal was accidentally dislodged during the inspection in Lyonnaise des Eaux France's offices.

On May 21, 2010, in accordance with chapter VI of EU Regulation No. 1/2003, the Commission decided to launch proceedings against Suez Environnement Company with regard to this incident. Within the framework of this proceeding, Suez Environnement Company submitted information relating to this incident to the Commission. The Commission sent a statement of objections on that issue to Suez Environnement Company and to Lyonnaise des Eaux France on October 20, 2010. Suez Environnement Company and Lyonnaise des Eaux France replied to the statement of objections on December 8, 2010.

NOTE 27 SUBSEQUENT EVENTS

Acquisition of International Power Plc

Description of the combination

The acquisition of International Power Plc ("International Power") by GDF SUEZ, publicly announced on August 10, 2010, was completed on February 3, 2011.

The main stages of this business combination were as follows:

- August 10, 2010: the Boards of GDF SUEZ and International Power enter into a Memorandum of Understanding detailing the main terms and conditions of the proposed combination of International Power and GDF SUEZ Energy International business areas[53] (outside Europe), along with certain assets in the UK and Turkey (collectively, "GDF SUEZ Energy International");
- October 13, 2010: GDF SUEZ, Electrabel and International Power sign the Merger Agreement and the other main agreements governing the relationship between GDF SUEZ and the new International Power group;
- December 16, 2010: the general shareholders' meeting of International Power approves the combination with GDF SUEZ Energy International;
- February 3, 2011: GDF SUEZ completes its acquisition of International Power, having met all conditions precedent. These included approval from certain regulatory or competition authorities, some reorganisation concerning the corporate structure and the scope of the assets and bussiness to be contributed, and admission to listing on the Official List of the UK Listing Authority (UKLA) and to trading on the London Stock Exchange's main market of the new International Power shares.

The acquisition of International Power has taken the form of the contribution by GDF SUEZ of GDF SUEZ Energy International to International Power, in exchange for 3,554,347,956 new ordinary International Power shares issued on February 3, 2011.

As part of the contribution and in accordance with the Merger Agreement, GDF SUEZ carried out some reorganisation concerning the corporate structure and the scope of the assets and bussiness to be contributed. GDF SUEZ made an equity contribution of €5,277 million and GBP 1,413 million (€1,670 million) to GDF SUEZ Energy International entities. The GBP 1,413 million capital increase is intended to finance a special dividend of GBP 0.92 per share payable to the existing shareholders of International Power.

As a result of this combination, GDF SUEZ holds approximately 70% of the voting rights of the International Power group.

[53] Energy International businesses include entities in the oeprating segments "Energy North America business area", and "Energy Middle East, Asia & Afreica business area", described in Note 3, "Segment information".

The combination of International Power and GDF SUEZ Energy International creates a global leader in independent power generation. This will accelerate GDF SUEZ's industrial development and strengthen its international presence in the United States, United Kingdom as well as in high-growth markets such as the Middle East and Asia.

International Power is fully consolidated in the Group's consolidated financial statements with effect from February 3, 2011.

On February 25, 2011, International Power paid a special dividend of GBP 0.92 per share, or a total of GBP 1,413 million (€1,670 million) to shareholders – excluding holders of new ordinary shares – listed on the company's share register on February 11, 2011, the record date.

As part of achieving the clearance from the European Commission, it has been agreed to divest the International Power's interest in the T-Power project in Belgium during 2011. The purpose of the T-Power project is to build and operate a 420 MW combined cycle gas turbine facility.

Fair value of consideration transferred

The fair value of the consideration transferred to acquire 70% of International Power was calculated based on the price of International Power shares on February 3, 2011, the date of the business combination. The fair value transferred amounts to €5,147 million and corresponds to 1,077 million International Power shares acquired (i.e., 70% of existing International Power shares prior to the transaction) multiplied by the February 3 share price of GBP 4.08 per share (1 GBP = €1.17).

Summary of the 2010 financial statements of International Power Plc

Given the effective date of the business combination and the size of the International Power group, the initial accounting of the fair value of International Power's assets acquired and liabilities assumed could not be performed at the time the financial statements are authorized for issue. Consequently, the Group can not present all of the information required by IFRS 3 concerning business combinations carried out after the reporting period.

International Power's 2010 financial data shown below have been restated to present data in accordance with the Group's accounting and presentation policies.

In 2010, International Power reported revenues and net income Group share at €4,442 million and €169 million, respectively.

International Power's summary statement of financial position at December 31, 2010 is shown below:

	(in millions of euros)
Non-current assets	
Intangible assets, net	196
Goodwill	836
Property, plant and equipment, net	9,077
Other non-current assets	3,956
Current assets	
Trade and other receivables	988
Cash and cash equivalents	1,645
Other current assets	672
Total assets	**17,369**
Total equity	**5,831**
Non current Liabilities	
Lont-term borrowings	7,588
Other non-current liabilities	1,874

	(in millions of euros)
Current Liabilities	
Short-term borrowings	503
Trade and other payables	815
Other current liabilities	759
Total Equity and Liabilities	**17,369**

NOTE 28 LIST OF THE MAIN CONSOLIDATED COMPANIES AT DECEMBER 31, 2010

The table below is provided for indicative purposes only and only includes the main fully and proportionately consolidated companies in the GDF SUEZ Group.

The following abbreviations are used to indicate the consolidation method applied in each case:

- FC: Full consolidation (subsidiaries);
- PC: Proportionate consolidation (joint venture);
- EM: Equity method (associates);
- NC: Not consolidated.

Entities marked with an asterisk * form part of the legal entity GDF SUEZ SA.

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		December		December		December	
		2010	2009	2010	2009	2010	2009
Energy France (BEF)							
COMPAGNIE NATIONALE DU RHONE (CNR)	2, rue André Bonin - 69004 Lyon - France	49.9	49.9	49.9	49.9	FC	FC
GDF SUEZ SA - ELECTRICITY DIVISION*	1, place Samuel de Champlain – 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ SA - SALES DIVISION*	1, place Samuel de Champlain – 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
SAVELYS	5, rue François 1er - 75418 Paris - France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		December		December		December	
		2010	2009	2010	2009	2010	2009
Energy Benelux & Germany (BEEI)							
ELECTRABEL NEDERLAND NV	Dr. Stolteweg 92 - 8025 AZ Zwolle - Netherlands	100.0	100.0	100.0	100.0	FC	FC
ENERGIE SAARLORLUX GMBH	Richard Wagner Strasse 14 – 16 - 66111 Saarbrücken - Germany	51.0	51.0	51.0	51.0	FC	FC
ELECTRABEL	Boulevard du Regent, 8 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
ELECTRABEL CUSTOMER SOLUTIONS	Boulevard du Regent, 8 - 1000 Brussels - Belgium	95.8	95.8	95.8	95.8	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
SYNATOM	Avenue Ariane 7 - 1200 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
Energy Europe (BEEI)							
DUNAMENTI	Erömü ut 2 - 2442 Szazhalombatta - Hungary	74.8	74.8	74.8	74.8	FC	FC
GDF SUEZ ENERGIA POLSKA SA	Zawada 26 - 28-230 Polaniec - Poland	100.0	100.0	100.0	100.0	FC	FC
ROSIGNANO ENERGIA SPA	Via Piave no. 6 - Rosignano Maritimo - Italy	99.5	99.5	99.5	99.5	FC	FC
ACEA ELECTABEL GROUP(1)	Piazzale Ostiense, 2 - 00100 Rome - Italy	40.6	40.6	40.6	40.6	PC	PC
TIRRENO POWER SPA	47, Via Barberini - 00187 Rome - Italy	35.0	35.0	35.0	35.0	PC	PC
SC GDF SUEZ ENERGY ROMÂNIA SA	Bld Marasesti, 4-6, sector 4 - Bucharest - Romania	51.0	40.8	51.0	40.8	FC	FC
EGAZ DEGAZ Zrt	Pulcz u. 44 - H 6724 - Szeged - Hungary	99.9	99.7	99.9	99.7	FC	FC
SLOVENSKY PLYNARENSKY PRIEMYSEL (SPP)	Mlynské Nivy 44/a - 825 11 - Bratislava - Slovakia	24.5	24.5	24.5	24.5	PC	PC
AES ENERGIA CARTAGENA S.R.L.	Ctra Nacional 343, P.K. 10 - El Fangal, Valle de Escombreras - 30350 Cartagena - Spain	26.0	26.0	26.0	26.0	FC	FC
GDF SUEZ ENERGY UK LTD	1 City Walk - LS11 9DX - Leeds - United Kingdom	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ ENERGIA ITALIA SPA	Via Orazio, 31l - 00193 Rome - Italy	100.0	100.0	100.0	100.0	FC	FC
VENDITE - ITALCOGIM ENERGIE SPA	Via Spadolini, 7 - 20141 Milan - Italy	100.0	100.0	100.0	100.0	FC	FC

(1) Ownership interest in the ACEA/Electrabel holding company.

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
Energy North America (BEEI)							
GDF SUEZ ENERGY GENERATION NORTH AMERICA GROUP	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	FC	FC
SUEZ LNG NORTH AMERICA GROUP	One Liberty Square, Boston, MA 02109 - United States	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
GDF SUEZ ENERGY MARKETING NORTH AMERICA GROUP	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ ENERGY RESOURCES NORTH AMERICA GROUP	1990 Post Oak Boulevard, Suite 1900 Houston, TX 77056-4499 - United States	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
Energy Latin America (BEEI)							

In Chile, electricity and gas transmission assets held by GDF SUEZ and Codelco have been grouped within their subsidiary, Edelnor. From January 29, 2010, Edelnor and its subsidiaries are fully consolidated in the Group financial statements (see Note 2.1.2).
In Brazil, GDF SUEZ Group holds 50.1% of the voting rights of Energia Sustentavel Do Brasil (EBSR), a company created to develop the Jirau project. Considering the contractual arrangements in place, a large number of strategic management decisions are subject to a 75% majority vote. EBSR therefore qualifies as being a jointly controlled entity. Accordingly, and even though it holds more than 50% of the voting rights, Energia Sustentavel do Brasil has been proportionately consolidated by the Group.

E-CL SA	Jr. César López Rojas # 201 Urb. Maranga San Miguel - Chile	52.4	27.4	52.4	27.4	FC	PC
TRACTEBEL ENERGIA GROUP	Rua Antônio Dib Mussi, 366 Centro, 88015-110 Florianopolis, Santa Catarina - Brazil	68.7	68.7	68.7	68.7	FC	FC
ENERSUR	Av. República de Panamá 3490, San Isidro, Lima 27 - Peru	61.7	61.7	61.7	61.7	FC	FC
ENERGIA SUSTENTAVEL DO BRASIL SA	Avenida Almirante Barroso, no. 52, sala 2802, CEP 20031-000 Rio de Janeiro - Brazil	50.1	50.1	50.1	50.1	PC	PC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
Energy Middle East, Asia & Africa (BEEI)							
GLOW ENERGY PUBLIC CO LTD	195 Empire Tower, 38th Floor - Park Wing, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 - Thailand	69.1	69.1	69.1	69.1	FC	FC
BAYMINA ENERJI AS	Ankara Dogal Gaz Santrali, Ankara Eskisehir Yolu 40.Km, Maliöy Mevkii, 06900 Polatki/Ankara - Turkey	95.0	95.0	95.0	95.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
SENOKO POWER LIMITED GROUP	111 Somerset Road - #05-06, Tripleone Somerset Building - 238164 Singapore	30.0	30.0	30.0	30.0	PC	PC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
Global Gas & Lng (B3G)							
E.F. OIL AND GAS LIMITED	33 Cavendish Square - W1G OPW -London - United Kingdom	22.5	22.5	22.5	22.5	PC	PC
GDF SUEZ E&P UK LTD	60, Gray Inn Road - WC1X 8LU - London - United Kingdom	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ E&P NORGE AS	Forusbeen 78 - Postboks 242 - 4066 Stavanger - Norway	100.0	100.0	100.0	100.0	FC	FC
GDF E&P NEDERLAND BV	Einsteinlaan 10 - 2719 EP Zoetermeer - Netherlands	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ E&P DEUTSCHLAND GMBH	Waldstrasse 39 - 49808 Linden - Germany	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ SA - B3G	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF INTERNATIONAL TRADING	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GAZ DE FRANCE ENERGY DEUTSCHLAND GMBH	Friedrichstrasse 60 - 10117 Berlin - Germany	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ GAS SUPPLY & SALES NEDERLAND BV	Einsteinlaan 10 - 2719 EP Zoetermeer - Netherlands	100.0	100.0	100.0	100.0	FC	FC
GASELYS	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	51.0	100.0	51.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009

Infrastructures

Within the context of changes in the legal environment and pursuant to the French gas law which stipulates that suppliers or their related companies cannot hold more than 24.99% of the share capital or shares with voting rights in a transport infrastructure management company, GDF SUEZ and Publigaz signed an agreement in March 2010 for the sale of the Group's entire shareholding in Fluxys (38.5%).

The transaction occurred on May 5, 2010 (see Note 2.1.5).

FLUXYS GROUP	Avenue des Arts, 31 - 1040 Brussels - Belgium	0.0	38.5	0.0	38.5	NC	EM

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
STORENGY	Immeuble Djinn - 12 rue Raoul Nordling - 92270 Bois Colombes - France	100.0	100.0	100.0	100.0	FC	FC
ELENGY	Immeuble EOLE - 11 avenue Michel Ricard - 92270 Bois Colombes - France	100.0	100.0	100.0	100.0	FC	FC
GRDF	6, rue Condorcet - 75009 Paris - France	100.0	100.0	100.0	100.0	FC	FC
GRTGAZ	Immeuble BORA - 6 rue Raoul Nordling - 92270 Bois Colombes - France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
Energy Services (BSE)							
COFELY	1, place des Degrés 92059 - Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
AXIMA FRANCE	46, Boulevard de la Prairie du Duc - 44000 Nantes - France	100.0	100.0	100.0	100.0	FC	FC
COFELY AG	Thurgauerstrasse 56 - Postfach - 8050 Zurich - Switzerland	100.0	100.0	100.0	100.0	FC	FC
CPCU	185, rue de Bercy - 75012 Paris - France	64.4	64.4	64.4	64.4	FC	FC
FABRICOM SA	254, Rue de Gatti de Gamond - 1180 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
ENDEL	1, place des Degrés - 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
COFELY NEDERLAND NV	Kosterijland 50 - 3981 AJ Bunnik - Netherlands	100.0	100.0	100.0	100.0	FC	FC
INEO	1, place des Degrés - 92059 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
SUEZ Environnement							

GDF SUEZ holds 35% of Suez Environnement Compagny and exercises exclusive control through a shareholders' agreement. Accordingly, Suez Environnement Compagny is fully consolidated.
On June 8, 2010, SUEZ Environnement took control of the water and environment activities of Aguas de Barcelona (Agbar). Agbar has been fully consolidated since June 1, 2010.

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
SUEZ ENVIRONNEMENT	Tour CB21 - 16 place de l'Iris - 92040 Paris La Défense Cedex - France	35.6	35.4	35.6	35.4	FC	FC
LYONNAISE DES EAUX FRANCE GROUP	Tour CB21 - 16 place de l'Iris - 92040 Paris La Défense Cedex - France	35.6	35.4	100	100	FC	FC
DEGREMONT GROUP	183, avenue du 18 juin 1940 - 92500 Rueil Malmaison - France	35.6	35.4	100	100	FC	FC
HISUSA	Torre Agbar - Avenida Diagonal 211 - 08018 Barcelona - Spain	23.9	18.1	67.1	51.0	FC	PC
AGBAR GROUP	Torre Agbar - Avenida Diagonal 211 - 08018 Barcelona - Spain	26.7	16.3	99.0	51.0	FC	PC
SITA HOLDINGS UK LTD GROUP	Grenfell Road - Maidenhead - Berkshire SL6 1ES - United Kingdom	35.6	35.4	100	100	FC	FC
SITA DEUTSCHLAND GMBH GROUP	Industriestrasse 161 D-50999, Köln - Germany	35.6	35.4	100	100	FC	FC
SITA NEDERLAND BV GROUP	Mr E.N. van Kleffensstraat 6 - Postbis 7009, NL - 6801 HA Amhem - Netherlands	35.6	35.4	100	100	FC	FC
SITA FRANCE GROUP	Tour CB21 - 16 place de l'Iris - 92040 Paris La Défense Cedex - France	35.5	35.4	99.9	99.9	FC	FC
LYDEC	20, boulevard Rachidi - Casablanca – Morocco	18.1	18.1	51.0	51.0	FC	FC
UNITED WATER GROUP	200 Old Hook Road - Harrington Park - New Jersey - United States	35.6	35.4	100	100	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
Other							
GDF SUEZ SA	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ BELGIUM	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
GIE - GDF SUEZ ALLIANCE	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest December 2010	% interest December 2009	% control December 2010	% control December 2009	Consolidation method December 2010	Consolidation method December 2009
GDF SUEZ FINANCE SA	1, place Samuel de Champlain - 92930 Paris La Défense - France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ CC	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC
GENFINA	Place du Trône, 1 - 1000 Brussels - Belgium	100.0	100.0	100.0	100.0	FC	FC

NOTE 29 FEES PAID TO STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

At December 31, 2010, the GDF SUEZ Group’s Statutory Auditors were Deloitte, Ernst & Young, and Mazars. In accordance with French decree no. 2008-1487, fees paid to the Statutory Auditors and the members of their networks by the Group are disclosed in the table below.

29.1 Fees paid by the Group to Statutory Auditors and to members of their networks in 2010

	Ernst & Young		Deloitte		Mazars et Guerard	
	Amount	%	Amount	%	Amount	%
			(in millions of euros)			
Audit						
Statutory audit, attest engagements and review of consolidated and parent company financial statements						
GDF SUEZ SA	3.0	14.5%	5.1	24.3%	1.6	20.8%
Fully- and proportionately-consolidated subsidiaries	14.3	69.8%	13.6	65.1%	5.3	67.5%
Other audit-related procedures and services(1)						
GDF SUEZ SA	0.4	2.0%	0.0	0.0%	0.2	2.1%
Fully- and proportionately-consolidated subsidiaries	2.1	10.3%	1.5	7.0%	0.7	9.1%
Sub-total	**19.8**	**96.6%**	**20.1**	**96.4%**	**7.8**	**99.4%**
Other services						
Tax	0.6	3.1%	0.5	2.6%	0.0	0.4%
Other services	0.1	0.3%	0.2	1.0%	0.0	0.2%
Sub-total	**0.7**	**3.4%**	**0.7**	**3.6%**	**0.0**	**0.6%**
Total(2)	**20.5**	**100%**	**20.9**	**100%**	**7.8**	**100%**

(1) Amounts relating to statutory audit engagements for the acquisition of International Power were €3.7 million for Deloitte.

(2) Amounts relating to proportionately-consolidated entities, which essentially concern statutory audit engagements, were €0.18 million for Deloitee, €0.38 million for Ernst & Young and €0.07 million for Mazars.

Audit fees paid to firms other than the Group’s statutory audit firms amounted to €3.6 million.

29.2 Fees paid by the Group to Statutory Auditors and to members of their networks in 2009

	Ernst & Young		Deloitte		Mazars et Guerard	
	Amount	%	Amount	%	Amount	%
	(in millions of euros)					
Audit						
Statutory audit, attest engagements and review of consolidated and parent company financial statements						
GDF SUEZ SA	2.3	12.3%	1.6	8.8%	1.8	24.5%
Fully- and proportionately-consolidated subsidiaries	13.8	74.4%	13.7	75.0%	4.9	68.1%
Other audit-related procedures and services						
GDF SUEZ SA	0.4	2.0%	0.5	2.8%	0.1	1.4%
Fully- and proportionately-consolidated subsidiaries	1.2	6.6%	2.0	10.8%	0.3	4.4%
Sub-total	**17.7**	**95.3%**	**17.8**	**97.4%**	**7.0**	**98.3%**
Other services						
Tax	0.8	4.2%	0.4	2.4%	0.1	1.1%
Other services	0.1	0.5%	0.0	0.2%	0.0	0.6%
Sub-total	**0.9**	**4.7%**	**0.5**	**2.6%**	**0.1**	**1.7%**
Total(1)	**18.6**	**100%**	**18.2**	**100%**	**7.2**	**100%**

(1) Amounts relating to proportionately-consolidated entities, which essentially concern statutory audit engagements, were €1.7 million for Deloitte, €0.6 million for Ernst & Young and €0.2 million for Mazars et Guerard.

Audit fees paid to firms other than the Group's statutory audit firms amounted to €3.7 million.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2010

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. The information presented below is the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of GDF SUEZ;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made, and evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2010 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to notes 1.1.1 and 1.1.2 to the consolidated financial statements which describes the changes in accounting methods resulting from the application of new standards and interpretations as from January 1, 2010, in particular the revised standards IFRS 3 "Business combinations" and IAS 27 "Consolidated and separate financial statements", which main changes are presented in the note 1.4.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Accounting estimates

As disclosed in note 1.3 to the consolidated financial statements, the GDF SUEZ Group is required to make estimates and assumptions in order to prepare its consolidated financial statements. These significant accounting estimates relate to the measurement of the fair value of assets acquired and liabilities assumed in connection with a business combination, and the measurement of goodwill, property, plant and equipment and intangible assets, provisions, financial derivative instruments, un-metered revenues (as in "gas in the meter") and the assessment of the tax loss carry-forwards recognized as deferred tax asset. note 1.3 to the consolidated financial statements also specifies that the future results of the related transactions may differ from these estimates depending on different assumptions used or situations.

- Regarding the measurement of the fair value of assets acquired and liabilities assumed in connection with a business combination, our procedures consisted in assessing the reasonableness and appropriateness of the methodologies and assumptions used to measure the allocated amounts and to verify that note 2 to the consolidated financial statements provides appropriate disclosure.

- Regarding goodwill as well as property, plant and equipment and intangible assets, we have examined the methods used to perform impairment tests, the data and assumptions used as well as the procedure for approving these estimates by management. We have reviewed the calculations made by the Group and verified that notes 5 and 9 to the consolidated financial statements provide appropriate disclosure.

- Regarding provisions, in particular, provisions for nuclear fuel reprocessing and storage, decommissioning of nuclear power plants and gas infrastructures, provisions for litigation, and provisions for retirement and other employee benefits, we have assessed the bases on which these provisions have been recorded and notably the timetable for the end of gas operations regarding the gas infrastructures in France, and verified that notes 5, 17, 18 and 26 to the consolidated financial statements provide appropriate disclosure.

- Regarding the valuation of financial derivative instruments that are not listed on financial markets, the Group uses internal computer models representative of market practices. Our work consisted in examining the system for monitoring these models and assessing the data and assumptions used. We have also verified that notes 14 and 15 to the consolidated financial statements provide appropriate disclosure.

- Delivered unbilled natural gas ("gas in the meter") and electricity are calculated using a method factoring in average energy sale prices and historical consumption data. Our work consisted in assessing the methods and assumptions used to calculate these estimates and verifying that note 1.3 to the consolidated financial statements provides appropriate disclosure.

- Concerning the tax loss carry-forwards recognized as deferred tax assets, our work consisted in verifying that the recognition criteria were satisfied and assessing the assumptions underlying the forecasts of taxable profits and the relating consumptions of tax loss carry-forwards. We have also verified that note 7 to the consolidated financial statements provides appropriate disclosure.

Accounting policies and methods

We have examined the accounting treatments adopted by the GDF SUEZ Group, in particular, in respect of:

- the practical applications of the provisions of IAS 39 relating to the type of contracts considered to be part of "normal activity", areas that are not the subject of specific provisions under IFRS, as adopted in the European Union,

- the accounting treatment applied to the concession contracts,

- the classification of arrangements which contains a lease,

- the recognition of acquisitions of non controlling interests prior to January 1, 2010.

We verified that note 1 to the consolidated financial statements provides appropriate disclosure in this respect.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, March 7, 2011

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG et Autres		MAZARS	
Jean-Paul Picard	Pascal Pincemin	Christian Mouillon	Charles-Emmanuel Chosson	Philippe Castagnac	Thierry Blanchetier

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2009

Statements of Financial Position

	Notes	December 31, 2009	December 31, 2008
		(in millions of euros)	
Assets			
Non-current assets:			
Intangible assets, net	10	11,419.9	10,691.6
Goodwill	9	27,989.0	27,510.1
Property, plant and equipment, net	11	69,664.9	63,482.1
Available-for-sale securities	14	3,562.9	3,309.0
Loans and receivables at amortized cost	14	2,426.2	2,303.5
Derivative instruments	14	1,926.7	2,893.4
Investments in associates	12	2,175.6	3,104.3
Other assets	14	1,695.8	1,271.8
Deferred tax assets	7	1,418.8	618.4
Total Non-Current Assets		**122,279.8**	**115,184.3**
Current assets:			
Loans and receivables at amortized cost	14	947.1	1,346.4
Derivative instruments	14	7,404.9	9,439.9
Trade and other receivables, net	14	19,748.5	22,729.3
Inventories		3,946.9	4,208.9
Other assets	14	5,094.4	4,481.0
Financial assets at fair value through income	14	1,680.0	768.9
Cash and cash equivalents	14	10,323.8	9,049.3
Total Current Assets		**49,145.4**	**52,023.7**
Total Assets		**171,425.2**	**167,208.0**
Liabilities			
Shareholders' equity		60,285.2	57,747.7
Minority interests		5,241.5	5,070.6
Total Equity	**16**	**65,526.6**	**62,818.3**
Non-current liabilities:			
Provisions	17	12,789.9	12,607.0
Borrowings and debt	14	32,154.8	24,200.4
Derivative instruments	14	1,791.9	2,889.6
Other financial liabilities	14	911.4	859.1
Other non-current liabilities		2,489.0	1,277.7
Deferred tax liabilities	7	11,856.3	10,546.4
Total Non-Current Liabilities		**61,993.3**	**52,380.1**
Current liabilities:			
Provisions	17	1,262.7	2,185.7
Borrowings and debt	14	10,117.4	14,641.0
Derivative instruments	14	7,169.6	9,472.4
Trade and other payables	14	16,594.4	17,914.7
Other current liabilities		8,761.3	7,795.8
Total Current Liabilities		**43,905.4**	**52,009.6**
Total Equity and Liabilities		**171,425.2**	**167,208.0**

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

Income Statements

	Notes	December 31, 2009	December 31, 2008
		(in millions of euros)	
Revenues		79,908.3	67,923.8
Purchases		(41,303.2)	(35,879.0)
Personnel costs		(11,364.9)	(9,679.0)
Depreciation, amortization and provisions		(5,183.1)	(3,713.5)
Other operating income and expenses, net		(13,709.7)	(12,428.8)
Current Operating Income	**4**	**8,347.4**	**6,223.6**
Mark-to-market on commodity contracts other than trading instruments		(323.1)	563.6
Impairment of property, plant and equipment, intangible assets and financial assets		(472.2)	(811.8)
Restructuring costs		(178.6)	(254.2)
Disposals of assets and other		800.9	1,957.7
Income from Operating Activities	**5**	**8,174.4**	**7,678.8**
Financial expenses		(2,476.6)	(2,320.8)
Financial income		849.0	826.6
Net Financial Loss	**6**	**(1,627.6)**	**(1,494.1)**
Income tax expense	7	(1,719.3)	(911.9)
Share in net income of associates	12	402.9	318.3
Net Income		**5,230.5**	**5,591.2**
Net income Group share		**4,477.3**	**4,857.1**
Minority interests		753.1	734.0
Earnings per share (euros)	**8**	**2.05**	**2.97**
Diluted earnings per share (euros)	8	2.03	2.94

Data relating to 2008 include the former SUEZ entities, and the contribution of the former Gaz de France entities as of July 22, 2008.

Earnings per share data relating to December 31, 2008 have been adjusted to reflect the impact of the stock dividend paid during first-half 2009.

Statements of Comprehensive Income

	Notes	December 31, 2009	December 31, 2008
		(in millions of euros)	
Net Income		**5,230.5**	**5,591.4**
Available-for-sale financial assets	14	(23.4)	(684.4)
Net investment hedges		48.2	78.8
Cash flow hedges (excl. commodity instruments)	15	108.1	(329.5)
Commodity cash flow hedges	15	924.9	(1,472.9)
Actuarial gains and losses		168.1	(570.9)
Translation adjustments		497.6	(922.0)
Deferred taxes	7	(376.9)	826.1
Share in other comprehensive income (expense) of associates		69.5	(159.4)
Other comprehensive income (expense)		**1,416.0**	**(3,234.2)**
Total Comprehensive Income		**6,646.4**	**2,357.2**
Group share		5,704.9	2,130.2
Minority interests		941.4	227.0

Statements of Changes in Equity*

	Number of shares	Share capital	Additional paid-in capital	Consolidated reserves	Actuarial gains and losses	Fair value adjustments and other	Cumulative translation adjustments	Treasury stock	Shareholders' equity	Minority interests	Total equity
					(in millions of euros)						
Equity at December 31, 2007	**1,307,043,522**	**2,614.1**	**12,302.0**	**6,968.1**	**82.8**	**1,584.5**	**(144.1)**	**(1,214.7)**	**22,192.8**	**2,668.1**	**24,860.9**
Net income				4,857.4					4,857.4	734.0	5,591.4
Other comprehensive income (expense)					(503.0)	(1,695.0)	(529.2)		(2,727.2)	(507.0)	(3,234.2)
Total comprehensive income				**4,857.4**	**(503.0)**	**(1,695.0)**	**(529.2)**		**2,130.2**	**227.0**	**2,357.2**
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	(325,069,965)	(1,634.1)		1,440.7				193.4	0.0		0.0
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	0.0
Impact of Distrigas & Fluxys Remedies										(849.0)	(849.0)
Other changes				49.3					49.3	578.2	627.5
Equity at December 31, 2008	**2,193,643,820**	**2,193.6**	**29,258.3**	**29,241.0**	**(420.2)**	**(110.5)**	**(673.3)**	**(1,741.3)**	**57,747.7**	**5,070.6**	**62,818.3**
Net income				4,477.2					4,477.2	753.1	5,230.4
Other comprehensive income (expense)					150.9	718.5	358.3		1,227.7	188.3	1,416.0
Total comprehensive income				**4,477.2**	**150.9**	**718.5**	**358.3**		**5,704.9**	**941.4**	**6,646.4**
Employee share issues and share-based payment	1,934,429	1.9	30.2	206.4					238.5		238.5
Stock dividends	65,398,018	65.4	1,311.2	(1,376.6)					(0.0)		(0.0)
Cash dividends				(3,400.8)					(3,400.8)	(627.2)	(4,028.0)
Net acquisitions of treasury stock				(97.3)				97.3	(0.1)		(0.1)
Other changes			(10.1)	5.0		39.8	(39.8)		(5.1)	(143.4)	(148.5)
Equity at December 31, 2009	**2,260,976,267**	**2,261.0**	**30,589.6**	**29,054.9**	**(269.3)**	**647.8**	**(354.8)**	**(1,644.1)**	**60,285.2**	**5,241.5**	**65,526.5**

* See note 16, “Equity”.

Statements of Cash Flows

	Notes	December 31, 2009	December 31, 2008
		(in millions of euros)	
Net income		**5,230.5**	**5,591.2**
– Share in net income of associates		(402.9)	(318.3)
+ Dividends received from associates		376.2	358.1
– Net depreciation, amortization and provisions		4,726.2	3,986.0
– Net capital gains on disposals (incl. reversals of provisions)		(800.9)	(1,957.7)
– Mark-to-market on commodity contracts other than trading instruments		323.1	(563.6)
– Other items with no cash impact		216.8	184.4
– Income tax expense		1,719.3	911.9
– Net financial loss		1,627.6	1,494.1
Cash generated from operations before income tax and working capital requirements		**13,015.8**	**9,686.1**
+ Tax paid	23	(1,376.6)	(1,806.3)
Change in working capital requirements		**1,988.5**	**(3,486.6)**
Cash Flow From Operating Activities		**13,627.7**	**4,393.1**
Acquisitions of property, plant and equipment and intangible assets		(9,646.0)	(9,125.0)
Acquisitions of entities net of cash and cash equivalents acquired		(948.3)	(723.2)
Acquisitions of available-for-sale securities		(902.5)	(517.5)
Disposals of property, plant and equipment and intangible assets		335.8	127.6
Disposals of entities net of cash and cash equivalents sold		1,345.7	2,538.1
Disposals of available-for-sale securities		684.7	110.3
Interest received on non-current financial assets	23	79.7	129.9
Dividends received on non-current financial assets	23	234.6	219.6
Change in loans and receivables originated by the Group and other		447.4	(107.7)
Cash Flow Used In Investing Activities		**(8,368.7)**	**(7,347.9)**
Dividends paid		(4,028.0)	(3,900.4)
Repayment of borrowings and debt		(12,896.8)	(5,101.0)
Change in financial assets at fair value through income	23	(993.2)	517.8
Interest paid	23	(1,293.4)	(1,482.6)
Interest received on cash and cash equivalents	23	148.9	260.7
Increase in borrowings and debt		14,886.8	15,666.5
Increase in capital		84.5	246.7
Treasury stock movements		0.0	(679.9)
Cash Flow From (Used In) Financing Activities		**(4,091.1)**	**5,527.9**
Effect of changes in consolidation method, exchange rates and other		106.5	(248.4)
Total cash flow for the period		**1,274.5**	**2,324.7**
Cash and cash equivalents at beginning of period		**9,049.3**	**6,720.2**
Cash and cash equivalents at end of period		**10,323.8**	**9,049.3**

Data relating to 2008 include the former SUEZ entities, and the contribution of the former Gaz de France entities as of July 22, 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. On July 30th, 2009, GDF SUEZ announced its delisting from the US stock exchange, which became effective at the end of October as the SEC did not raise any objection.

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 3, 2010, the Group's Board of Directors approved and authorized for issue the consolidated financial statements of the Group for the year ended December 31, 2009.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

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. The financial statements as of December 31, 2008 were the first ones to include these transactions. Therefore nor the income statement for 2008, the statement of comprehensive income for 2008 or the statement of cash flows for 2008 are comparable with the income statement for 2009, the statement of comprehensive income for 2009 or with the statement of cash flows for 2009 as the income statement, the statement of comprehensive income and the statement of cash flows for the first half year of 2008 do include the historical data of SUEZ standalone.

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 two reporting periods (ended December 31, 2008 and 2009). These informations 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, 2009 have been prepared in accordance with IFRS as published by the International Accounting Standards Board (IASB) and endorsed by European Union[54].

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2009 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2008, except for those described in section 1.1.1 below.

1.1.1 IFRS standards, amendments and IFRIC interpretations applicable to the 2009 annual financial statements

- Amendments to IFRIC 9 and IAS 39 – Reassessment of embedded derivatives;

[54] Available on the European Commission's website: http://ec.europa.eu/internal_market/accounting/.

- Amendments to IFRS 1 and IAS 27 – Cost of an investment in a subsidiary, jointly controlled entity or associate;

- Amendment to IFRS 2 – Vesting Conditions and Cancellations;

- Amendments to IAS 32 and IAS 1 – Puttable Instruments and Obligations Arising on Liquidation;

- IFRIC 13 – Customer Loyalty Programmes;

- IFRIC 15 – Agreements for the Construction of Real Estate[55];

- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation[2];

- IFRIC 18 – Transfers of assets from customers[2];

- 2008 Improvements to IFRS[56].

These amendments and interpretations above have no material impact on the Group's consolidated financial statements:

- Amendment to IFRS 7 – Improving disclosures about financial instruments

  This amendment requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of imput using a new three level fair value hierarchy, by class, depending if the financial instrument is quoted on an active market (level 1), if inputs for fair value measurement are observable (level 2) or if imputs are not based on observable market data (level 3). The amendment also clarifies the requirement for liquidity risk disclosures with respect to derivatives and assets used for liquidity risk management. The fair value measurement informations by class of financial instruments and the liquidity risk disclosures are presented in Note 15.

- IAS 1 – Presentation of financial statements (revised 2007)

  The revised standard introduces in particular the statement of comprehensive income which presents all items of recognized income and expense in the period, either in one single statement, or in two statements: the income statement, displaying components of profit or loss and the statement of comprehensive income, displaying components of other comprehensive income. The Group has elected to present two statements.

  The Group decided to early apply IFRS 8 in 2008 and IFRIC 12 in 2006. Whereas, IAS 23 revised, applicable in 2009, has no impact on the financial statements as the Group has always applied the allowed alternative treatment whereby borrowing costs attributable to the construction of a qualifying assets are capitalized in the cost of that asset.

1.1.2 IFRS standards and IFRIC interpretations effective after 2009 that the Group has elected not to early adopt in 2009

- IFRS 9 – Financial instruments: classification and measurement;

- IFRS 3 revised – Business combinations;

- Amendment to IAS 32 – Classification on rights issues;

- Amendments to IAS 39 – Eligible hedged items;

[55] Endorsed by European Union in 2009 but with an application date postponed to 2010.
[56] Except the amendment to IFRS 5 applicable to annual periods beginning on or after July 1, 2009.

- IAS 24 revised – Related party disclosures;
- IAS 27 revised – Consolidated and separate financial statements;
- IFRIC 17 – Distributions of non-cash assets to owners;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Amendment to IFRIC 14 – Prepayments of a minimum funding requirement;
- 2009 Improvements to IFRS;
- Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions.

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

1.1.3 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 financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

1.3 Use of judgments and estimates

The crisis which has been raging across financial markets over the last 2 years 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 statement of financial position 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 statement of financial position 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 allocation of the goodwill resulting from the merger with Gaz de France to cash generating units (CGUs), 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 statement of financial position. 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 statement of financial position 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 statement of financial position date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the consolidated statement of income for the year to which they relate;

- non-monetary assets and liabilities denominated in foreign currencies are 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 statement of financial position 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" as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are classified as assets and liabilities of those foreign entities and are therefore denominated in the functional currencies of the entities and translated at the year-end exchange rate.

Translation differences previously recorded as other comprehensive income are taken to the consolidated income statement on the disposal of a foreign entity.

1.4.3 Business combinations

For business combinations carried out since 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) or groups of 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 the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. When the pattern cannot be determined reliably the straight-line method is used, based on 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 statement of financial position 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 studies are expensed in the year in which they are incurred.

Exploration costs (other than geological and geophysical studies) are temporarily capitalized in "pre-capitalized exploration costs" before the confirmation of the technical feasibility and commercial viability of extracting resources. These exploration drilling costs are temporarily 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 this method labelled "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.

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 criterion 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 statement of financial position;
- 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 statement of financial position date.

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

1.4.9 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 weighted 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 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 statement of financial position 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. Subsequently, available-for-sale securities are measured by using a weighted average cost formula.

At each statement of financial position date, available-for-sale securities are measured at fair value. For listed companies, fair value is determined based on the quoted market price at the statement of financial position date. For unlisted companies, fair value is measured based on standard valuation techniques (reference to similar recent transactions, discounted future cash flows, etc.).

Changes in fair value are recorded directly in other comprehensive income, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment if needed. In this case, the loss is 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 statement of financial position 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 statement of financial position 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 statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position, 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 statement of financial position 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 statement of financial position 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 statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as:

- a fair value hedge of an asset or liability;
- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a 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.

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 statement of financial position 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 on an active market is determined by reference to the market price. In this case, these instruments are presented in level 1 of the fair value hierarchy.

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

Models used to evaluate these instruments take into account assumptions based on market inputs:

- the fair value of interest rate swaps is calculated based on the present value of future cash flows;
- 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.

These instruments are presented in level 2 of fair value hierarchy except when the evaluation is based mainly on datas that are not observable; in that case they are presented in level 3 of fair value hierarchy. Most often, this is the case for derivatives which maturity exceeds the time of observable market datas of the underlying or when some underlying datas are not observable.

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 for options with no performance conditions or using a Monte Carlo pricing model for options with performance conditions. These models take into account the characteristics of the plan concerned (exercise price, exercise period, performance conditions if any), 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 in 2006 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 other comprehensive income. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

However, actuarial gains and losses on other long-term benefits such as long-service awards, continue to be recognized immediately in income.

The interest cost in respect of pensions and other employee benefit obligations and the expected return on related plan assets are presented as a financial expense.

1.4.15.2 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

Water

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 2009-R03 on the format of financial statements of entities applying IFRSs). 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 statement of financial position 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 statement of financial position date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

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.).

Note 2 Main Changes in Group Structure

2.1 Transactions in the year ended December 31, 2009

2.1.1 European capacity swap agreements

On July 31, 2009, Electrabel and E.ON signed the final agreements concerning the swap of conventional and nuclear power plant capacity. The agreements were validated by the boards of directors of both parties and by the competent competition authorities, and the swap was carried out on November 4, 2009.

On completion of the transaction, Electrabel (Energy Benelux & Germany segment) had acquired from E.ON a total of 860 MW of capacity from conventional power plants and some 132 MW of hydro-electric capacity, for a consideration of €551 million. This acquisition qualifies as a business combination, and the allocation of the cost of the business combination to the assets acquired and liabilities assumed is currently being finalized. The initial estimate of goodwill amounts to €453.5 million.

The Group also acquired 700 MW in drawing rights from nuclear power plants in Germany, which are recognized under other receivables as future deliveries.

As part of the agreement, Electrabel sold to E.ON the Langerlo coal and biomass plant (556 MW) as well as the Vilvoorde gas-fired power plant (385 MW). This transaction was carried out for an amount of €505 million, and generated capital gains in the amount of €108 million in the consolidated financial statements of GDF SUEZ.

The Group also sold approximately 770 MW in drawing rights from nuclear power plants with delivery points in Belgium and the Netherlands, which are recognized under down-payments received in respect of future obligations to deliver power.

No cash was exchanged between Electrabel and E.ON in respect of these transactions.

2.1.2 Remedies and divestments related to the Gaz de France-SUEZ merger

Within the scope of the commitments made to the European Commission in connection with the merger of both groups as described in note 2.2.1, SUEZ and Gaz de France agreed to carry out a number of divestments. The divestments made in 2008 are described in section 2.3.1. The following transactions took place in 2009:

- 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 shares were sold for €585 million and did not impact earnings;

- as part of the commitments made to the Belgian government (Pax Electrica II agreement), on June 12, 2008 the Group entered into agreements with SPE designed to increase that company's share in Belgian power production. The agreement to swap 100 MW of capacity and the agreement to sell 250 MW of capacity to SPE came into force during the first half of 2009. The sale to SPE of a 6.2% interest in co-owned nuclear power units for €180 million generated net proceeds of €70 million;

- as part of the reorganization of its shareholding in Fluxys, GDF SUEZ agreed to sell shares in Fluxys to Publigas, so as to bring Publigas' interest in Fluxys to 51.28%. The transaction was duly completed on May 18, 2009, and generated a capital gain of €86.7 million.

As part of the agreement for the sale of Distrigas to ENI, the Group finalized several agreements in the gas and power sectors, including the acquisition from ENI of 1,100 MW of virtual power production (VPP) capacity in Italy for €1,210 million, supply contracts, Exploration & Production assets, and the City of Rome natural gas distribution network.

As December 31, 2009, all of these transactions had been completed except the acquisition of the City of Rome natural gas distribution network. Negotiations with ENI are currently in progress in an attempt to find an alternative solution consistent with the commitments undertaken.

2.1.3 Other transactions carried out in 2009

Various acquisitions that are not individually material were carried out in 2009 (buyout of minority shareholdings in Reti in Italy, acquisitions of Izgaz in Turkey, Heron in Greece and Evi in the Netherlands, and of an interest in Wuppertal Stadtwerke Energie und Wasser in Germany).

The Group also sold its stake in ORES in Belgium.

2.2 Update on the main acquisitions carried out in 2008: finalization of the allocation of the cost of the business combination in 2009

2.2.1 Gaz de France-SUEZ merger

2.2.1.1 Description of the transaction

The merger of SUEZ into Gaz de France, which was announced in February 2006, became effective on July 22, 2008 following the approval of the Extraordinary Shareholders' Meetings of both groups on July 16, 2008.

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 Company. 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 between 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 was 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.

2.2.1.2 Measurement of the cost of the 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 €40.09 per share, the closing share price on July 22, 2008 (effective date of the merger), resulting in a total estimated cost of €39,818 million.

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 was therefore estimated at €40,193 million.

2.2.1.3 Allocation of the cost of the business combination

In accordance with IFRS 3, the Group had 12 months as of the acquisition date to complete the allocation of the cost of the business combination to the Gaz de France assets acquired and liabilities assumed. Given the scale and the complexity of the transaction, the allocation recorded at December 31, 2008 was made on a provisional basis.

At December 31, 2009, the allocation of the cost of the combination to the assets acquired and liabilities assumed was complete, with the final goodwill amount totaling €11,507 million, compared with provisional goodwill of €11,390 million at December 31, 2008. The difference in these amounts results from revisions to the allocation of the cost of the combination to the assets acquired and liabilities assumed. However, since these revisions were not material taken individually, the statement of financial position for the year ended December 31, 2008 has not been retrospectively restated.

The allocation of the goodwill to cash-generating units (CGUs) or groups of cash-generating units is set out in note 9, "Goodwill". The table below shows the definitive fair values of the assets acquired and liabilities assumed in the combination.

	Carrying amount in acquiree's statement of financial position	**Definitive fair value**
	(in millions of euros)	
Non-current assets		
Intangible assets, net*	1,313	4,742
Goodwill	1,825	0
Property, plant and equipment, net*	23,388	37,132
Investments in associates	1,182	1,772
Other non-current assets	3,576	3,671
Current assets		
Inventories	2,000	2,206
Other current assets	17,421	17,376
Non-current liabilities		
Provisions	7,347	3,760
Deferred tax liabilities	2,707	10,224
Other non-current liabilities	5,615	5,727
Current liabilities		
Provisions	230	1,146
Other current liabilities	16,720	16,745
Minority interests	**575**	**611**
Net Assets Acquired	**17,511**	**28,686**
Cost of the business combination		40,193
Definitive Goodwill		**11,507**

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

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 & 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. 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 capital renewal or replacement liabilities has been recognized.

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

The main valuation methods used in determining the allocation of the cost of the combination were the cost method (regulated asset base or amortized replacement cost), the revenue approach (discounted cash flow, excess earnings or royalties methods), and the market approach.

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 statement of financial position.

The main estimates and assumptions used in determining the fair value of assets acquired and liabilities assumed are disclosed in note 1.3.1.1.

2.2.1.4 Pro forma information

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

2.2.2 Finalization of other key acquisitions carried out in 2008

2.2.2.1 Acquisition of Senoko Power

On September 5, 2008, GDF SUEZ and a consortium of partners signed an agreement to purchase the entire share capital of Senoko Power for an amount of €557 million 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 and representing a combined capacity of 3,300 MW. Senoko Power has been proportionately consolidated since September 1, 2008. The definitive allocation of the cost of the business combination to the fair value of the assets acquired and liabilities assumed was completed in the second half of 2009. The resulting goodwill amounted to €321 million at December 31, 2009.

2.2.2.2 Acquisition of FirstLight Power Enterprises

On December 29, 2008, GDF SUEZ acquired the entire share capital of FirstLight Power Enterprises Inc. for USD 959.5 million. FirstLight Power Enterprises Inc. 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.

FirstLight has been fully consolidated since December 31, 2008. The definitive allocation of the cost of the combination to the fair value of the assets acquired and liabilities assumed was completed in the second half of 2009. The resulting goodwill amounted to €185 million at December 31, 2009.

2.3 Other transactions carried out in 2008

2.3.1 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 a number of agreements. The transactions listed below were competed in 2008:

- on October 30, 2008, GDF SUEZ sold its 57.25% stake in natural gas trader Distrigas to ENI. Distrigas was derecognized for accounting purposes as of October 1, 2008. In the 2008 consolidated financial statements, the sale of Distrigas resulted in a disposal gain of €1,738 million and a €2.1 billion net decrease in net debt;

- as part of the restructuring of its 57.25% interest in Fluxys in Belgium, on September 3, 2008, GDF SUEZ sold 12.5% of the share capital of Fluxys to Publigas, which reduced its stake in Fluxys to below 45%. Fluxys has been accounted for under the equity method since 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.

2.3.2 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 gas pipeline on December 31, 2008. The combined transaction was completed for a total consideration of €1,075 million.

NOTE 3 SEGMENT INFORMATION

3.1 Operating segments

In accordance with the provisions of IFRS 8 – Operating Segments, 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 Energy Europe & International business line was reorganized with effect from July 20, 2009, and now has five business areas (versus three in 2008) corresponding to the definition of operating segments: Energy Benelux & Germany, Energy Europe, Energy North America, Energy Latin America and Energy Middle East, Asia & Africa. Comparative data for 2008 has been restated so as to present segment information under this new organization effective within the Group since December 31, 2009.

The Group therefore has identified ten operating segments:

- Energy France business line – subsidiaries in this operating segment produce electricity and sell natural gas, electricity and services to private individuals, small business customers and companies in France;

- Energy Benelux & Germany business area – subsidiaries in this operating segment produce and sell electricity and/or gas, in Belgium, the Netherlands, Luxembourg and Germany;

- Energy Europe business area – these subsidiaries produce electricity and/or provide electricity and gas transmission, distribution and sales services in Europe (excluding France, Benelux and Germany);

- Energy North America business area – these subsidiaries produce electricity and/or provide electricity and gas sales services in North America, Mexico and Canada. They are also active in the LNG import and regasification businesses;

- Energy Latin America business area – subsidiaries in this operating segment produce electricity and/or provide electricity and gas transmission and distribution services in Latin America;

- Energy Middle East, Asia & Africa business area – subsidiaries operating in this operating segment produce and sell electricity in Thailand, Laos, Singapore, Turkey and the Arabian peninsular. They also provide seawater desalinization services in the Arabian peninsular;

- Global Gas & LNG business line – these subsidiaries supply gas to the Group and sell energy and service packages to key European players, using proprietary production as well as long-term gas and LNG contracts;

- Infrastructures business line – subsidiaries in this segment operate gas and electricity transportation, storage and distribution networks essentially in France and Germany. They also sell access rights to this infrastructure to third parties;

- Energy Services business line – 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 business line – subsidiaries operating in this operating 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.

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 operating segments concerned.

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 industrial capital employed are reconciled with the consolidated financial statements.

The main relationships between operating segments concern Energy France and Infrastructures and Global Gas & LNG. Services are provided by the Infrastructures operating segment 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.

3.2 Key indicators by operating segment

Following the reorganization resulting from the merger between Gaz de France and SUEZ, certain entities previously belonging to the Benelux & Germany operating segment were transferred to Energy France.

Revenues

	December 31, 2009			December 31, 2008		
	External revenues	**Intra-group revenues**	**Total**	**External revenues**	**Intra-group revenues**	**Total**
			(in millions of euros)			
Energy France	13,954.1	434.4	14,388.5	7,340.6	652.4	7,993.0
Energy Europe & International	28,349.7	244.5	28,594.2	27,285.3	358.3	27,643.6
of which: Energy Benelux & Germany	*13,204.1*	*963.8*	*14,167.9*	*14,121.3*	*261.6*	*14,382.9*
Energy Europe	*7,745.6*	*515.1*	*8,260.7*	*5,691.1*	*176.5*	*5,867.6*
Energy North America	*3,876.5*	*45.4*	*3,922.0*	*3,939.9*	*309.4*	*4,249.3*
Energy Latin America	*2,011.6*	*0.0*	*2,011.6*	*2,066.7*	*(0.0)*	*2,066.7*
Energy Middle East, Asia & Africa	*1,510.5*	*(0.0)*	*1,510.5*	*1,346.2*	*0.0*	*1,346.2*
Intra-business line eliminations		*(1,279.9)*	*(1,279.9)*		*(389.2)*	*(389.2)*

	December 31, 2009			December 31, 2008		
	External revenues	Intra-group revenues	Total	External revenues	Intra-group revenues	Total
	(in millions of euros)					
Global Gas & LNG	10,657.4	9,812.7	20,470.0	5,111.7	5,811.4	10,923.1
Infrastructures	1,043.1	4,569.9	5,613.0	545.2	2,360.5	2,905.6
Energy Services	13,620.6	193.0	13,813.6	13,021.6	130.3	13,151.9
SUEZ Environnement	12,283.4	12.7	12,296.1	12,351.7	10.7	12,362.4
Other	0.0	0.0	0.0	2,267.7	1,252.4	3,520.1
Intra-group eliminations		(15,267.2)	(15,267.2)		(10,576.0)	(10,576.0)
Total Revenues	**79,908.3**	**0.0**	**79,908.3**	**67,923.8**	**0.0**	**67,923.8**

EBITDA

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy France	366.3	292.3
Energy Europe & International	5,027.1	4,079.3
of which: Energy Benelux & Germany	*2,122.6*	*1,744.7*
Energy Europe	*1,011.3*	*571.6*
Energy North America	*656.7*	*526.3*
Energy Latin America	*1,025.9*	*1,005.6*
Energy Middle East, Asia & Africa	*285.7*	*267.6*
Global Gas & LNG	2,864.4	1,481.6
Infrastructures	3,025.8	1,323.2
Energy Services	921.4	838.9
SUEZ Environnement	2,059.9	2,101.5
Other	(253.4)	(63.4)
Total EBITDA	**14,011.5**	**10,053.5**

Current Operating Income

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy France	288.1	124.4
Energy Europe & International	3,533.6	2,882.8
of which: Energy Benelux & Germany	*1,574.4*	*1,182.2*
Energy Europe	*580.6*	*327.5*
Energy North America	*428.7*	*377.6*
Energy Latin America	*834.9*	*859.2*
Energy Middle East, Asia & Africa	*197.4*	*189.2*
Global Gas & LNG	1,449.9	849.9
Infrastructures	1,946.6	907.9
Energy Services	597.9	547.5
SUEZ Environnement	925.8	1,083.6
Other	(394.6)	(172.6)
Total Current Operating Income	**8,347.4**	**6,223.6**

Depreciation and Amortization

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy France	(31.0)	28.3
Energy Europe & International	(1,308.9)	(989.2)
of which: Energy Benelux & Germany	*(381.3)*	*(378.7)*

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy Europe	*(421.4)*	*(233.9)*
Energy North America	*(229.7)*	*(147.7)*
Energy Latin America	*(186.9)*	*(143.1)*
Energy Middle East, Asia & Africa	*(89.3)*	*(81.3)*
Global Gas & LNG	(1,377.7)	(794.0)
Infrastructures	(1,083.1)	(535.3)
Energy Services	(293.7)	(256.1)
SUEZ Environnement	(838.2)	(792.6)
Other	(65.2)	(43.2)
Total Depreciation And Amortization	**(4,997.8)**	**(3,382.2)**

Impairment Losses Recognized in Income

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy France	(27.8)	(0.6)
Energy Europe & International	(134.3)	(157.8)
of which: Energy Benelux & Germany	*(110.6)*	*1.0*
Energy Europe	*(3.8)*	*(121.8)*
Energy North America	*(8.8)*	*(32.7)*
Energy Latin America	*(25.5)*	*(0.2)*
Energy Middle East, Asia & Africa	*0.0*	*0.0*
Global Gas & LNG	(178.8)	(0.7)
Infrastructures	(1.6)	0.9
Energy Services	6.7	(18.4)
SUEZ Environnement	(85.3)	12.7
Other	(51.1)	(647.9)
Total Impairment Losses Recognized in Income	**(472.2)**	**(811.8)**

Industrial Capital Employed

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy France	6,615.9	5,594.7
Energy Europe & International	30,704.2	28,410.0
of which: Energy Benelux & Germany	*9,575.4*	*9,654.1*
Energy Europe	*8,400.6*	*7,686.1*
Energy North America	*4,798.3*	*4,500.6*
Energy Latin America	*5,223.8*	*3,817.1*
Energy Middle East, Asia & Africa	*2,677.5*	*2,473.4*
Global Gas & LNG	9,284.6	10,117.7
Infrastructures	18,823.4	18,267.2
Energy Services	2,290.6	2,019.9
SUEZ Environnement	9,737.6	8,940.3
Other	(783.2)	(846.8)
Total Industrial Capital Employed	**76,673.1**	**72,503.0**

A reconciliation of industrial capital employed to the definition of capital employed formerly used by the Group is provided in note 3.6.

Capital Expenditure (Capex)

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy France	(925.1)	(822.0)
Energy Europe & International	(4,667.6)	(5,924.0)
of which: Energy Benelux & Germany	*(1,638.1)*	*(944.9)*
Energy Europe	*(992.7)*	*(1,660.0)*
Energy North America	*(375.7)*	*(1,037.9)*
Energy Latin America	*(1,453.1)*	*(1,159.2)*
Energy Middle East, Asia & Africa	*(223.9)*	*(1,041.2)*
Global Gas & LNG	(1,146.9)	(1,865.6)
Infrastructures	(1,947.9)	(1,228.1)
Energy Services	(621.5)	(433.9)
SUEZ Environnement	(1,459.1)	(2,675.8)
Other	(391.9)	(718.8)
Total Capital Expenditure	**(11,159.9)**	**(13,668.2)**

3.3 Key indicators by geographic area

The amounts set out below are analyzed by:

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

	Revenues		Industrial capital employed	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(in millions of euros)			
France	30,723.7	20,767.9	31,316.8	32,165.0
Belgium	11,557.3	13,900.2	5,844.3	7,549.8
Other EU countries	25,163.6	20,890.5	21,944.4	18,336.6
Other European countries	1,197.1	930.2	1,734.9	1,103.2
North America	4,641.6	4,843.6	6,552.5	6,240.0
Asia, Middle East and Oceania	3,202.8	3,157.4	3,699.8	3,017.5
South America	2,570.8	2,623.5	5,265.1	3,847.3
Africa	851.4	810.4	315.2	243.7
Total	**79,908.3**	**67,923.7**	**76,673.1**	**72,503.0**

3.4 Reconciliation of EBITDA

Reconciliation of Ebitda with Current Operating Income

	December 31, 2009	December 31, 2008
Current operating income	**8,347.4**	**6,223.6**
Depreciation, amortization and provisions	5,183.1	3,713.5
Share-based payment (IFRS 2) and other	217.9	184.6
Net disbursements under concession contracts	263.1	(68.2)
EBITDA	**14,011.5**	**10,053.5**

3.5 Reconciliation of industrial capital employed with items in the statement of financial position

	December 31, 2009	December 31, 2008
(+) Property, plant and equipment and intangible assets, net	81,084.7	74,173.7
(+) Goodwill	27,989.0	27,510.1
(-) *Goodwill arising on the Gaz de France-SUEZ merger(1)*	*(11,507.0)*	*(11,390.0)*
(+) Investments in associates	2,175.6	3,104.3
(+) Trade and other receivables	*19,748.5*	*22,729.3*
(-) Margin calls(1)(2)	(1,184.6)	(1,569.4)
(+) Inventories	3,946.9	4,208.9
(+) Other current and non-current assets	6,790.2	5,764.5
(+) Deferred taxes	(10,437.5)	(9,928.0)
(-) Provisions	(14,052.7)	(14,792.7)
(+) *Actuarial gains and losses recorded in equity (net of deferred taxes)(1)*	*159.0*	*15.4*
(-)Trade and other payables	(16,594.4)	(17,914.7)
(-)*Margin calls(1)(2)*	*717.1*	*524.2*
(-) Other current and non-current liabilities	(11,250.4)	(9,073.5)
(-) Other financial liabilities	(911.4)	(859.1)
Industrial Capital Employed	**76,673.1**	**72,503.0**

(1) For the purposes of calculating industrial capital employed, the amounts recorded in respect of these items have been adjusted from those appearing in the statement of financial position.

(2) Margin calls included in “Trade and other receivables” and “Trade and other payables” correspond to advances received or paid as part of collateralization agreements set up by the Group to reduce its exposure to counterparty risk on commodities transactions.

3.6 Reconciliation of capital employed with industrial capital employed for 2008

	December 31, 2008
Capital Employed (Former Definition)	**91,779.9**
- Goodwill arising on the Gaz de France-SUEZ merger	(11,390.0)
- Available-for-sale securities (excl. changes in fair value and marketable securities)	(2,540.5)
- Loans and receivables at amortized cost	(3,714.8)
- Margin calls included in “Trade and other receivables”	(1,569.4)
+ Margin calls included in “Trade and other payables”	524.2
+ Deferred tax on actuarial gains and losses	(586.4)
Industrial Capital Employed	**72,503.0**

For the 2009 reporting period, the Group has adopted a new definition of capital employed (referred to here as “industrial capital employed”) to assess the operational performance of its businesses. Unlike the previous definition of capital employed used by the Group, industrial capital employed does not include available-for-sale securities or loans and receivables at amortized cost. The residual goodwill resulting from the merger between Gaz de France and SUEZ is also excluded from the new definition, since the transaction took the form of a share swap rather than an exchange of cash.

NOTE 4 CURRENT OPERATING INCOME

The consolidated income statement for the year ended December 31, 2008 includes the contribution of the former Gaz de France entities as from July 22, 2008.

4.1 Revenues

Group revenues break down as follows:

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Energy sales	53,089.8	42,531.7
Rendering of services	25,258.5	24,132.4
Lease and construction contracts	1,560.0	1,259.8
Revenues	**79,908.3**	**67,923.8**

In 2009, revenues from lease and construction contracts amounted to €737.0 million and €823.0 million, respectively (€472.9 million and €786.8 million in 2008).

4.2 Personnel costs

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Short-term benefits	(10,891.2)	(9,297.7)
Post-employment benefits and other long-term benefits	(252.7)	(191.3)
Share-based payment	(220.9)	(190.0)
Total	**(11,364.9)**	**(9,679.0)**

Movements in personnel costs are mainly attributable to changes in the scope of consolidation resulting from the merger with Gaz de France with effect from July 22, 2008, and the consolidation of Reti, Senoko and FirstLight.

Post-employment benefit obligations and other long-term employee benefits are presented in note 18.

Net reversals of provisions for post-employment benefit obligations and other long-term employee benefits in 2009 and 2008 amounted to €190.9 million, €271.5 million, respectively.

Share-based payments are described in note 24.

4.3 Depreciation, amortization and provisions

Amounts are shown below net of reversals.

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Depreciation and amortization	(4,997.8)	(3,382.2)
Write-down of inventories and trade receivables	(216.9)	(280.4)
Provisions	31.6	(50.9)
Total	**(5,183.1)**	**(3,713.5)**

Depreciation and amortization breaks down as €716.0 million for intangible assets and €4,281.8 million for property, plant and equipment. A breakdown by type of asset is provided in notes 10 and 11.

Write-downs of inventories and trade receivables decreased in 2009, mainly as a result of the reduction in outstanding trade receivables, notably due to the impact of the fall in commodities prices.

4.4 Other operating income and expenses, net

Under the French Finance Act for 2010, local business tax (*taxe professionnelle*) was replaced by a new "territorial economic tax" (*contribution économique territoriale*). Although the territorial economic tax is calculated in a different manner to the former business tax, the Group considers that the fundamental basis of the tax is comparable. Accordingly, the territorial economic tax will also be recognized in current operating income, like the former business tax.

NOTE 5 INCOME FROM OPERATING ACTIVITIES

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Current Operating Income	**8,347.4**	**6,223.6**
Mark-to-market on commodity contracts other than trading instruments	(323.1)	563.6
Impairment of property, plant and equipment, intangible assets and financial assets	(472.2)	(811.8)
Restructuring costs	(178.6)	(254.2)
Disposals of assets and other	800.9	1,957.7
Income From Operating Activities	**8,174.4**	**7,678.8**

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

The contribution of marked-to-market commodity contracts other than trading instruments to consolidated income from operating activities was a net loss of €323 million for the year to December 31, 2009, compared with a net gain of €563 million one year earlier. This amount chiefly reflects:

- changes in the fair value of forward contracts used as economic hedges not eligible for hedge accounting, resulting in a net loss of €285 million compared with a net gain of €436 million in 2008;
- the impact of ineffective portion of cash flow hedges and the disqualification from hedge accounting of certain commodity risk hedges, resulting in a negative impact of €38 million;
- the change in the fair value of derivatives embedded in commodity contracts was not material in 2009, but had a positive €110 million impact in 2008.

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

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Impairment losses:		
Goodwill	(8.4)	(47.7)
Property, plant and equipment and other intangible assets	(436.4)	(153.2)
Financial assets	(103.1)	(660.1)
Other	22.3	
Total Impairment Losses	**(525.6)**	**(861.0)**
Reversals of impairment losses:		
Property, plant and equipment and other intangible assets	39.6	32.3
Financial assets	13.7	16.9
Total Reversals of Impairment Losses	**53.3**	**49.2**
Total	**(472.2)**	**(811.8)**

5.2.1 Impairment of goodwill

Based on the impairment tests described in note 9, “Goodwill”, the Group considers that no material impairment losses need to be recognized against goodwill in the statement of financial position.

5.2.2 Impairment of property, plant and equipment and intangible assets (excluding goodwill)

In 2009, the Group recognized impairment losses totaling €177 million against its exploration licenses in the Gulf of Mexico and Libya. It also recognized a €113 million impairment loss after the project for a second coal station at Brunsbüttel-Stade in Germany was abandoned.

In 2008, the Group had recognized €123 million in impairment losses against property, plant and equipment used to produce electricity in the UK, due to a decline in operating and pricing conditions.

5.2.3 Impairment of financial assets

In 2009, the Group recognized additional impairment losses of €33 million against its Gas Natural shares (see note 14.1.1).

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

Given the financial position of some of its counterparties in the second half of 2008, the Group had also taken 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

Restructuring costs recognized in 2009 correspond to measures taken to address the downturn in the waste services segment of SUEZ Environnement and in Energy Services. They also include the costs of integrating Cofathec's activities within the Energy Services business line.

In 2008, most of the costs included in this caption related to the merger between Gaz de France and SUEZ, the stock market listing of 65% of SUEZ Environnement Company, and the reorganization of GDF SUEZ's corporate facilities in the Ile de France region.

5.4 Disposals of assets and other items

At December 31, 2009, this item chiefly comprises capital gains on the disposal of shareholdings in inter-municipal companies in the Walloon region, disposal gains resulting from the sale of the Nagerlo and Vilvoorde power stations to E.ON, and proceeds from the sale to SPE of 250 MW in production capacity resulting from the implementation of the Group's obligations under the Pax Electrica agreement (see note 2). It also includes the impact of certain proceedings initiated against the Group by the European Commission. In light of the actions taken in the E.ON/GDF case since the merger, and following the European Commission's decision handed down on July 8, 2009, the Group adjusted the provision recognized in connection with the allocation of the cost of the Gaz de France-SUEZ business combination to the assets, liabilities and contingent liabilities of Gaz de France in its 2009 consolidated financial statements. The Group also recognized the fine handed down by the Commission in the Compagnie Nationale du Rhône case.

At December 31, 2008, disposals of assets mainly reflected commitments totaling €1,902 million given to the European Commission in respect of the merger with Gaz de France. The caption also included 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 had no impact on income for the periods concerned.

NOTE 6 NET FINANCIAL INCOME/(LOSS)

	December 31, 2009			December 31, 2008		
	Expenses	**Income**	**Total**	**Expenses**	**Income**	**Total**
			(in millions of euros)			
Cost of net debt	(1,706.9)	441.0	(1,265.8)	(1,652.7)	391.8	(1,260.9)
Other financial income and expenses	(769.7)	407.9	(361.8)	(668.1)	434.8	(233.2)
Net Financial Income/(Loss)	**(2,476.6)**	**849.0**	**(1,627.6)**	**(2,320.8)**	**826.6**	**(1,494.1)**

6.1 Cost of net debt

The cost of net debt 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.

	Expenses	Income	Net at December 31, 2009	December 31, 2008
	(in millions of euros)			
Interest on gross borrowings	(1,916.6)	—	(1,916.6)	(1,552.1)
Foreign exchange gains/losses on borrowings and hedges	(39.4)	—	(39.4)	72.5
Gains and losses on hedges of borrowings	—	265.0	265.0	(198.2)
Gains and losses on cash and cash equivalents and financial assets at fair value through income	—	176.0	176.0	319.4
Capitalized borrowing costs(1)	249.2	—	249.2	97.6
Cost of Net Debt	**(1,706.9)**	**441.0**	**(1,265.8)**	**(1,260.9)**

(1) Capitalized borrowing costs have been reclassified from "Other financial income and expenses" to "Cost of net debt" and are now presented as a deduction from financial expenses. In order to present a meaningful comparison between the periods presented, data for 2008 have been restated.

The change in cost of net debt is essentially attributable to:

- the rise in interest on gross borrowings resulting from the increase in outstanding debt, as discussed in note 14.3.1, "Main debt issues during the period";
- the decrease in gains on cash and cash equivalents and financial assets at fair value through income, chiefly due to lower yields on cash investments in 2009;
- gains realized on hedges of borrowings as a result of new economic hedges put in place, changes in the fair value of derivative financial instruments, and the unwinding of instruments during the period.

6.2 Other financial income and expenses

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Other financial expenses		
Unwinding of discounting adjustments to provisions	(601.4)	(489.0)
Interest on trade and other payables	(81.0)	(110.9)
Exchange losses	(74.9)	(12.7)
Other financial expenses	(12.4)	(55.4)
Total	**(769.7)**	**(668.1)**
Other financial income		
Income from available-for-sale securities	234.6	219.6
Interest income on trade and other receivables	74.0	68.4
Interest income on loans and receivables carried at amortized cost	86.8	144.1
Other financial income	12.6	2.7
Total	**407.9**	**434.8**
Other Financial Income and Expenses, Net	**(361.8)**	**(233.2)**

NOTE 7 INCOME TAX EXPENSE

7.1 Main impacts

7.1.1 Breakdown of income tax expense

The income tax expense recognized in income for 2009 amounts to €1,719.3 million (€911.9 million in 2008), breaking down as:

	2009	2008
	(in millions of euros)	
Current income taxes	(1,639.9)	(870.0)
Deferred taxes	(79.4)	(41.9)
Total Income Tax Expense Recognized in Income for the Year	**(1,719.3)**	**(911.9)**

7.1.2 Change in deferred taxes

Changes in deferred taxes recorded in the consolidated statement of financial position, after netting off deferred tax assets and liabilities by tax entity, break down as follows

	Assets	Liabilities	Net position
		(in millions of euros)	
At December 31, 2008	**618.4**	**(10,546.4)**	**(9,928.0)**
Impact on net income for the year	317.1	(396.5)	(79.4)
Impact of netting by tax entity	573.4	(573.4)	(0.0)
Other	(90.1)	(340.0)	(430.1)
At December 31, 2009	**1,418.8**	**(11,856.3)**	**(10,437.5)**

7.2 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:

	2009	2008
	(in millions of euros)	
Net income	**5,230.5**	**5,591.2**
• Share in net income of associates	402.9	318.3
• Income tax expense	(1,719.3)	(911.9)
Income before income tax expense and share in net income of associates(a)	**6,546.8**	**6,184.7**
Of which French companies	*1,841.0*	*940.4*
Of which companies outside France	*4,705.8*	*5,244.3*
Statutory income tax rate in France(b)	34.43%	34.43%
Theoretical Income Tax Expense (c) = (a) x (b)	**(2,254.1)**	**(2,129.4)**
Actual income tax expense		
Difference between statutory tax rate applicable in France and statutory tax rate in force in jurisdictions outside France	146.0	90.3
Permanent differences	(72.9)	83.4
Income taxed at a reduced rate or tax-exempt(d)	476.6	954.7
Additional tax expense(e)	(349.0)	(645.0)
Effect of unrecognized deferred tax assets on tax loss carry-forwards and other tax-deductible temporary differences	(105.7)	(197.7)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	140.4	348.6
Impact of changes in tax rates	19.7	(18.9)
Tax credits	197.9	128.1
Other(f)	81.9	474.1
Actual Income Tax Expense	**(1,719.3)**	**(911.9)**
Effective Tax Rate (Actual Income Tax Expense Divided by Income Before Income Tax and Share in Net Income of Associates)	**26.3%**	**14.7%**

(d) 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.

(e) Includes mainly the tax on dividends and the tax on nuclear activities payable by electricity utilities in Belgium (€213 million in 2009 and €222 million in 2008).

(f) Includes mainly the impact in 2008 of no longer neutralizing operations that were previously neutralized due to the disbanding of the SUEZ SA tax consolidation group, and in 2009, the recognition of a deferred tax asset on the reorganization of engineering activities (see below).

The change in the effective tax rate is explained below:

- disposal gains and similar items, typically exempt from tax, totaled €800.9 million in 2009 compared with €1,957.7 million in 2008. This decrease led to a rise in the effective tax rate;
- the reorganization of SUEZ Tractebel's engineering business gave rise to a tax-deductible temporary difference, and led to the recognition of a deferred tax asset in the amount of €118 million at December 31, 2009;
- the effective tax rate in 2008 benefited from a number of non-recurring items. These included:
  - deferred tax assets totaling €151 million recognized by the GDF SUEZ SA tax consolidation group on various temporary differences,
  - the impact of discontinuing the neutralization of previously neutralized operations in connection with the disbanding of the former SUEZ tax consolidation group, which resulted in a tax loss carry-forward totaling €898 million, immediately recognized against the taxable income for the period of GDF SUEZ SA,
  - recognition by the new SEC tax consolidation group of €149 million in deferred tax assets corresponding to tax loss carry-forwards transferred by the former SUEZ SA tax consolidation group.

7.3 Analysis of deferred taxes by type of temporary difference

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

	Statement of financial position at	
	December 31, 2009	**December 31, 2008**
	(in millions of euros)	
Deferred tax assets:		
Tax loss carry-forwards and tax credits	1,300.5	1,077.7
Pension obligations	1,023.4	1,028.0
Non-deductible provisions	495.2	458.0
Difference between the carrying amount of PP&E and intangible assets and their tax bases	714.6	451.5
Measurement of financial instruments at fair value (IAS 32/39)	473.6	634.4
Other	671.3	801.9
Total	**4,678.6**	**4,451.5**
Deferred tax liabilities:		
Fair value adjustments to PP&E and intangible assets	(8,707.8)	(9,485.8)
Other differences between the carrying amount of PP&E and intangible assets and their tax bases	(4,835.2)	(3,654.6)
Tax-driven provisions	(223.6)	(172.9)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(425.3)	(337.5)
Other	(924.2)	(728.8)
Total	**(15,116.1)**	**(14,379.6)**
Net Deferred Tax Assets/(Liabilities)	**(10,437.5)**	**(9,928.1)**

7.3.2 Analysis of the deferred tax income/expense recognized in the income statement, by type of temporary difference

	Impacts in the income statement	
	December 31, 2009	December 31, 2008
	(in millions of euros)	
Deferred tax assets:		
Tax loss carry-forwards and tax credits	(41.4)	(9.3)
Pension obligations	18.6	(30.3)
Non-deductible provisions	2.4	84.1
Difference between the carrying amount of PP&E and intangible assets and their tax bases	160.0	(28.5)
Measurement of financial instruments at fair value (IAS 32/39)	155.5	195.2
Other	22.0	245.3
Total	**317.1**	**456.5**
Deferred tax liabilities:		
Fair value adjustments to PP&E and intangible assets	(0.6)	(89.7)
Other differences between the carrying amount of PP&E and intangible assets and their tax bases	(74.9)	27.2
Tax-driven provisions	(13.4)	(33.8)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(35.2)	(360.3)
Other	(272.4)	(41.8)
Total	**(396.5)**	**(498.4)**
Net Deferred Tax Assets/(Liabilities)	**(79.4)**	**(41.9)**

7.3.3 Analysis of the deferred tax income/expense recognized in other comprehensive income, by type of temporary difference

	December 31, 2009	Change	December 31, 2008	Change	December 31, 2007
			(in millions of euros)		
Available-for-sale financial assets	2.5	6.1	(3.6)	78.9	(82.5)
Actuarial gains and losses	97.1	(51.0)	148.2	173.6	(25.5)
Net investment hedges	(18.3)	(3.1)	(15.2)	(28.8)	13.6
Cash flow hedges	129.8	(335.9)	465.7	595.9	(130.2)
Share in net income (loss) of associates	10.0	7.2	2.9	3.3	(0.5)
Total (Excluding Translation Adjustments)	**221.2**	**(376.8)**	**598.0**	**822.9**	**(224.9)**
Translation adjustments	(3.7)	5.9	(9.6)	3.2	(12.8)
Total	**217.5**	**(370.9)**	**588.4**	**826.1**	**(237.7)**

7.4 Unrecognized deferred taxes

7.4.1 Unrecognized deductible temporary differences

At December 31, 2009, unused tax loss carry-forwards not recognized by the Group amounted to €1,368.5 million (€1,223.7 million at end-2008) in respect of ordinary tax losses (unrecognized deferred tax asset effect of €432.3 million). All tax loss carry-forwards resulting from the GDF SUEZ tax consolidation group are recognized in the statement of financial position.

Following a decision issued by the European Court of Justice on February 12, 2009 in the Cobelfret case, Belgium was sanctioned for its dividends received deduction (DRD) regime. Dividends received from subsidiaries are now required to be carried forward. As some Group entities are not expected to have sufficient taxable profits over the medium-term to be able to use the DRD, they did not recognize deferred tax assets on these tax loss carry-forwards. Due to a lack of clarity in existing legal and administrative provisions in this area, particularly regarding the fate of tax loss carry-forwards in the event of a merger or spin-off for example, and in view of certain disputes currently in progress, the Group was unable to determine the exact amount of these carry-forwards at the end of the reporting period.

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

	Ordinary tax losses
	(in millions of euros)
2010	85.4
2011	53.2
2012	35.7
2013	71.3
2014	131.3
2015 and beyond	991.7
Total	**1,368.5**

The tax effect of other tax-deductible temporary differences not recorded in the statement of financial position was €129.9 million in 2009 and €289.5 million in 2008.

7.4.2 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

Earnings per share data for 2008 and 2009 reporting periods take into account the impact of the stock dividend paid in the first half of 2009.

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 data for 2008 was calculated by dividing 2008 into a pre-merger and post-merger period. The number of shares outstanding for the period to July 22, 2008 represents the number of shares issued by GDF 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.

	December 31, 2009	**December 31, 2008**
Numerator *(in millions of euros)*		
Net income Group share	4,477.3	4,857.1
Denominator *(in millions of shares)*		
Average number of shares outstanding	2,188.9	1,638.0
Impact of dilutive instruments		
Bonus share plan reserved for employees	7.4	3.4
Employee stock subscription and purchase plans	6.2	11.5
Diluted Average Number of Shares Outstanding	**2,202.5**	**1,652.9**
Earnings per share *(in euros)*		
Earnings per share	2.05	2.97
Diluted earnings per share	2.03	2.94

The spin-off of 65% of SUEZ Environnement had an automatically dilutive impact on Group earnings per share in 2008. Had the spin-off taken place on January 1, 2008, earnings per share and diluted earnings per share for 2008 would have been €2.89 and €2.87, respectively.

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 are not included in the calculation of diluted earnings per share when they are not in the money under current market conditions.

NOTE 9 GOODWILL

9.1 Movements in the carrying amount of goodwill

	Gross amount	Impairment losses	Net amount
		(in millions of euros)	
At December 31, 2007	**15,065.9**	**(163.2)**	**14,902.7**
Acquisitions	12,985.9		
Impairment		(47.7)	
Disposals	(147.2)	(19.3)	
Translation adjustments	(37.3)	12.6	
Other	(128.7)	(10.8)	
At December 31, 2008	**27,738.6**	**(228.3)**	**27,510.1**
Acquisitions	1,260.5		
Impairment		(10.8)	
Disposals	(410.6)	0.0	
Translation adjustments	34.4	(10.6)	
Other	(385.0)	0.7	
At December 31, 2009	**28,238.0**	**(249.0)**	**27,989.0**

Additions to goodwill in 2009 relate mainly to acquisitions of German companies within the Energy Benelux & Germany CGU in connection with the agreements between Electrabel and E.ON (€453.5 million), and to the acquisition of Izgaz in Turkey (€179.2 million), Heron in Greece (€61.1 million), and the acquisition of an interest in Wuppertal Stadtwerke Energie und Wasser in Germany (€100.8 million). Goodwill was also recognized on the additional stake acquired in Swire Sita in Hong Kong (€168.8 million).

In 2008, goodwill recognized resulted mainly from the acquisition of Gaz de France (€11,390 million), FirstLight (€657.2 million, based on a provisional opening statement of financial position) and Senoko (€303.5 million) in the Energy International business line. 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”.

Disposals in 2009 include a portion of the goodwill allocated to the Energy Benelux & Germany CGU in connection with various divestments made by this CGU (see note 5.4). This chiefly concerns sales of shareholdings in inter-municipal companies, the sale to SPE of 250 MW in production capacity, and the production capacity swap in Europe with E.ON. In 2008, disposals related to the sale of Distrigas and Fluxys.

Other changes in 2009 reflect the finalization of the opening statement of financial position for FirstLight (negative impact of €503.3 million) and Gaz de France (positive impact of €117 million).

Goodwill arising on acquisitions of minority shareholdings totaled €44.5 million in 2009 versus €27.9 million in 2008. In the absence of specific IFRS guidance, this goodwill is recognized in accordance with the principles described in note 1.4.4.1.

9.2 Allocation of goodwill resulting from the Gaz de France acquisition to goodwill CGUs

Following the acquisition of Gaz de France in July 2008 and the new management organization put in place by the Group, in 2009 GDF SUEZ defined the cash-generating units (“goodwill CGUs”) to which goodwill is to be allocated for the purpose of carrying out annual goodwill impairment tests.

The Group has retained the goodwill CGUs previously identified within the SUEZ Group except where an internal reorganization or combination has taken place involving assets acquired as part of the merger with Gaz de France.

The definition of the new goodwill CGUs resulting from the acquisition of Gaz de France businesses was based on:

- management units and the associated levels of reporting;
- similarities between economic and legal environments;
- market maturity;
- any synergies identified between the assets concerned;
- the integration of value chains, particularly in terms of operating cash flow pooling arrangements.

Goodwill resulting from the merger with Gaz de France was tested for impairment in 2009, based on these new goodwill CGUs. The goodwill represents expected synergies in terms of gas supply, non-energy purchases, operating and selling expenses and revenues, market share, development capacity, and other assets resulting from the merger that could not be recognized as an identifiable asset.

9.3 Main goodwill CGUs

The table below provides a breakdown of goodwill by CGU:

CGU	Operating segment	December 31, 2009
	(in millions of euros)	
Material CGUS		
Energy France	Energy France	2,857.6
Energy - Benelux & Germany	Energy Benelux & Germany	8,124.0
Midstream/Downstream	Global Gas & LNG	4,378.6
Distribution	Infrastructures	3,880.0
Other Significant CGUS		
Storage	Infrastructures	1,268.0
Transportation	Infrastructures	718.0
Energy - Central & Eastern Europe	Energy Europe	835.6
Energy - North America	Energy North America	630.7
Sita France	SUEZ Environnement	515.2
Agbar	SUEZ Environnement	643.8
Other CGUS (Individually Less Than €500 Million)		**4,137.4**
Total		**27,989.0**

9.4 Impairment tests

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 recoverable amount of CGUs is determined using a number of different methods including discounted cash flows and the regulated asset base (RAB). The discounted cash flows method uses cash flows forecasts covering an explicit period of six years and resulting from the medium-term business plan approved by the Group’s Management Committee. When the discounted cash flow method is used, the recoverable amount of the goodwill CGUs takes into account three scenarios (“low”, “medium” and “high”). The medium scenario is usually preferred.

The recoverable amounts that result from applying these three scenarios are based on key assumptions such as discount rates.

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 risk-free market interest rates plus a country risk premium.

The post-tax rates used to measure the value in use of assets in the cash flow forecasts were between 4.1% and 11.5% in 2009 (between 5.0% and 9.9% in 2008).

9.4.1 Material CGUs

Except for the Energy France, Energy - Benelux & Germany, Midstream/Downstream and Distribution CGUs described below, no individual amount of goodwill allocated to CGUs represents more than 5% of the Group's total goodwill.

Based on events that are reasonably likely to occur as of the end of the reporting period, the Group considers that no goodwill impairment should be recorded and that any changes that are reasonably likely to occur in the key assumptions described below would not increase the carrying amount in excess of the recoverable amount.

Goodwill allocated to the Energy France CGU

The total amount of goodwill allocated to this CGU was €2.9 billion at December 31, 2009. The Energy France CGU includes a range of activities including the production of electricity, the sale of gas, electricity and associated services, and the provision of eco-friendly solutions for housing.

The recoverable amount of the CGU is determined on the basis of the value in use of the group of assets, calculated primarily using cash flow forecasts included in the medium-term business plan covering a period of six years and approved by the Group's Management Committee. The key assumptions used are related to the expected operating conditions according to the Group's Management Committee, in particular changes in regulatory rates, market prices, future market outlook and the applicable discount rates. The inputs used for each of these assumptions reflect past experience as well as best estimates of market prices.

The cash flows are projected either over the useful life of the underlying assets or over the term of the contracts associated with the activities of the entities included in the CGU.

The discount rates used range from 6.2% and 11.0% and reflect the weighted average cost of capital adjusted to reflect the business risks relating to the assets comprising the CGU.

An increase of 0.5% in the discount rate used would have a negative 21% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 23% impact on this calculation.

Goodwill allocated to the Energy - Benelux & Germany CGU

The total amount of goodwill allocated to this CGU was €8.1 billion at December 31, 2009. This CGU includes the Group's electricity production, sale and distribution activities in Belgium, the Netherlands, Luxembourg and Germany.

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 the Group's Management Committee covering a period of six years, and a discount rate of 7.1%. A terminal value was obtained by applying the average of (i) cash flows extrapolated beyond the six-year period using a growth rate equal to expected inflation (2%), and (ii) the EBITDA multiple for the European utilities sector applied to a normative EBITDA.

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

An increase of 0.5% in the discount rate used would have a negative 27% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 32% impact on this calculation.

The impact of a decrease in average spreads of €2/MWh on the terminal value would have a negative impact of 30% on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. The impact of an increase in average spreads of €2/MWh on the terminal value would have a positive impact of 30% on this calculation.

Goodwill allocated to the Midstream/Downstream CGU

The total amount of goodwill allocated to this CGU was €4.4 billion at December 31, 2009. The Midstream/Downstream CGU includes Group entities that supply gas to the Group under supply contracts and by using organized markets, and markets energy offers and related energy services to the Group's largest customers in Europe.

The recoverable amount of the "Midstream/Downstream" CGU is also calculated on the basis of value in use, using the cash flow forecasts included in the six-year medium-term business plan approved by the Group's Management Committee. The discount rates applied to these forecasts range from 7.0% to 9.0% depending on business and country risks. The recoverable amount includes a terminal value for the period beyond the six years covered in the business plan, calculated by applying a long-term growth rate representing expected inflation (2%) to normative EBITDA in the last year of the forecasts.

The key assumptions notably include the discount rates, estimated hydrocarbon prices, changes in the euro/dollar exchange rate, the market outlook and the estimated upstream margin inherent to these activities. The inputs used reflect the best estimates of market prices and expected market trends.

An increase of 0.5% in the discount rate used would have a negative 36% impact on the excess of the recoverable amount over the carrying amount. However, the recoverable amount would remain above the carrying amount. A decrease of 0.5% in the discount rate used would have a positive 42% impact on this calculation.

An 0.5% increase in the long-term growth rate used to determine the terminal value would have a positive 28% impact on the excess of the recoverable amount over the carrying amount. A 0.5% decrease in the long-term growth rate would have a negative 24% impact on this calculation. However, the recoverable amount would remain above the carrying amount.

Goodwill allocated to the Distribution CGU

The total amount of goodwill allocated to this CGU was €3.9 billion at December 31, 2009. The Distribution CGU includes the Group's gas distribution activities in France.

The recoverable amount of this CGU was calculated using a method based on the regulated asset base. The regulated asset base is the amount assigned by the regulator to assets operated by the distributor, and is the sum of future pre-tax cash flows, discounted at a rate equal to the pre-tax rate of return guaranteed by the regulator.

9.4.2 Other significant CGUs

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

CGU	Operating segment	Measurement method	Discount rate
Energy - Central & Eastern Europe	Energy Europe	DCF	7.2% - 11.5%
Energy - North America	Energy North America	DCF	6.4% - 10.3%
Storage	Infrastructures	DCF	6.5%
Sita France	SUEZ Environnement	DCF	5.8%
Agbar	SUEZ Environnement	DCF + recent transactions	6.5%

9.5 Goodwill segment information

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

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Gaz de France	0.0	11,390.1
Energy France	2,857.6	1,104.1
Energy Europe & International	10,558.2	11,294.4
of which: Energy Benelux & Germany	*8,124.0*	*9,084.1*
Energy Europe	*1,376.9*	*727.6*
Energy North America	*630.7*	*1,064.7*
Energy Latin America	*30.5*	*25.5*
Energy Middle East, Asia & Africa	*396.0*	*392.6*
Global Gas & LNG	4,462.0	0.0
Infrastructures	5,955.0	0.0
Energy Services	1,072.8	786.9
SUEZ Environnement	3,082.3	2,910.1
Other	1.1	24.6
Total	**27,989.0**	**27,510.1**

Following the reorganization resulting from the merger between Gaz de France and SUEZ, goodwill previously allocated to the Benelux & Germany operating segment was transferred to Energy France in line with the allocation of the related assets.

NOTE 10 INTANGIBLE ASSETS, NET

10.1 Movements in intangible assets

	Intangible rights arising on concession contracts	Capacity entitlements	Other	Total
	(in millions of euros)			
Gross Amount				
At December 31, 2007	**3,253.0**	**1,179.9**	**2,535.1**	**6,968.0**
Acquisitions	204.2	1,210.0	905.7	2,319.9
Disposals	(25.7)	0.0	(69.2)	(95.0)
Translation adjustments	17.1	0.0	(25.0)	(7.9)
Changes in scope of consolidation	114.9	0.0	5,310.9	5,425.8
Other	9.4	0.0	46.4	55.8
At December 31, 2008	**3,572.8**	**2,389.8**	**8,703.9**	**14,666.6**
Acquisitions	397.8	15.0	803.4	1,216.2
Disposals	(8.0)	0.0	(187.9)	(195.9)
Translation adjustments	5.8	0.0	(1.7)	4.1
Changes in scope of consolidation	240.8	0.0	281.6	522.4
Other	184.5	0.0	(79.3)	105.1
At December 31, 2009	**4,393.7**	**2,404.9**	**9,520.0**	**16,318.6**
Accumulated Amortization and Impairment				
At December 31, 2007	**(1,456.6)**	**(555.2)**	**(1,458.5)**	**(3,470.4)**
Amortization and impairment	(140.8)	0.0	(414.5)	(555.3)
Disposals	20.5	0.0	61.0	81.4
Translation adjustments	(6.7)	0.0	(3.6)	(10.3)
Changes in scope of consolidation	(14.9)	0.0	(21.5)	(36.2)
Other	(7.1)	0.0	22.9	15.8
At December 31, 2008	**(1,605.5)**	**(555.2)**	**(1,814.3)**	**(3,975.0)**
Amortization and impairment	(162.2)	(85.8)	(677.1)	(925.0)

	Intangible rights arising on concession contracts	Capacity entitlements	Other	Total
	(in millions of euros)			
Disposals	4.0	0.0	83.8	87.8
Translation adjustments	3.4	0.0	8.9	12.2
Changes in scope of consolidation	(35.4)	0.0	(61.3)	(96.6)
Other	(16.5)	(24.4)	38.8	(2.1)
At December 31, 2009	**(1,812.2)**	**(665.3)**	**(2,421.2)**	**(4,898.7)**
Carrying Amount				
At December 31, 2007	**1,796.4**	**624.7**	**1,076.6**	**3,497.7**
At December 31, 2008	**1,967.3**	**1,834.7**	**6,889.6**	**10,691.6**
At December 31, 2009	**2,581.5**	**1,739.6**	**7,098.8**	**11,419.9**

In 2009, acquisitions relate mainly to intangible rights arising on concession contracts in the SUEZ Environnement business line (€241.2 million) and on exploration licenses in Indonesia (€100.5 million) – transactions which formed part of the Remedies relating to the merger with Gaz de France described in note 2.2 – and on exploration licenses in Algeria (€103.8 million).

Disposals primarily reflect the sale of a 20% interest in the Alam El Shawish operating license in Egypt, which had a negative impact in the amount of €83.9 million.

Gross changes in the scope of consolidation resulting from the acquisition of Izgaz in Turkey and Nuove Acque in Italy increased the concession contracts line by €135.5 million and €46.8 million, respectively, while the change in the consolidation method for the Italy-based Reti group increased this line by €34.7 million. Gross changes in the scope of consolidation resulting from the acquisition of Wuppertal Stadtwerke Energie und Wasser in Germany and Nuove Acque in Italy increased the other intangible assets line by €63.3 million and €53.0 million, respectively, while the change in the consolidation method for the Reti group increased this line by €125.9 million.

Impairment losses totaling €209.0 million were recognized in the period, chiefly against operating and production licenses in the Gulf of Mexico and Libya.

In 2008, acquisitions related mainly to intangible assets arising on the merger with Gaz de France, consisting mainly of customer relationships, brands, and gas supply contracts. The fair value of these assets is disclosed in note 2.2.

10.1.1 Intangible rights arising on concession contracts

The Group manages a number of concessions as defined by SIC 29 (see note 22) covering drinking water distribution, water treatment, waste collection and treatment, and electricity distribution. The rights given to the Group as concession operator in respect of these infrastructures fall within the scope of IFRIC 12 and are accounted for as intangible assets in accordance with the intangible asset model.

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 plant (VPP) in Italy.

10.1.3 Other

At end-2009, this caption chiefly relates to intangible assets acquired as a result of the merger with Gaz de France, essentially comprising the Gaz de France brand and customer relationships, as well as gas supply and water drawing rights contracts.

10.1.4 Non-amortizable intangible assets

Intangible assets that are not amortized because they have an indefinite useful life amounted to €782.5 million at December 31, 2009 (€703.2 million at end-2008). This caption relates mainly 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. Based on the impairment tests described in note 9, "Goodwill", the Group considers that no impairment losses need to be recognized against these assets.

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 (excluding technical assistance costs) that do not meet the criteria for recognition as an intangible asset totaled €218 million in 2009 and €127 million in 2008.

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

	Land	Buildings	Plant and equipment	Vehicles	Dismantling costs	Assets in progress	Other	Total
				(in millions of euros)				
Gross Amount								
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**
Acquisitions	104.0	99.7	1,590.9	122.7	0.0	6,473.9	76.1	8,467.3
Disposals	(70.0)	(58.3)	(1,192.5)	(104.0)	(21.0)	6.9	(46.6)	(1,485.5)
Translation adjustments	69.8	450.9	488.4	17.8	24.3	160.6	3.2	1,215.0
Changes in scope of consolidation	0.6	252.5	528.0	8.0	0.3	101.2	10.5	901.2
Other	278.0	194.4	3,862.7	30.9	66.6	(4,007.4)	(108.4)	316.7
At December 31, 2009	**2,336.6**	**8,215.8**	**74,001.7**	**1,723.0**	**1,071.7**	**9,770.4**	**1,240.9**	**98,360.0**
Accumulated Depreciation and Impairment								
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 and impairment	(73.4)	(311.4)	(2,177.0)	(288.9)	(34.0)	(13.0)	(82.8)	(2,980.5)
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)**
Depreciation and impairment	(91.4)	(378.0)	(3,595.1)	(159.7)	(56.2)	(141.2)	(87.6)	(4,509.1)
Disposals	46.8	51.5	890.6	96.6	10.6	2.4	41.5	1,140.1
Translation adjustments	(37.2)	(107.3)	(126.7)	(11.1)	(13.5)	1.0	(2.4)	(297.2)
Changes in scope of consolidation	2.9	8.1	193.3	(5.1)	0.0	0.0	(2.5)	196.7
Other	(12.7)	(31.9)	179.0	19.9	1.1	0.9	81.6	237.7
At December 31, 2009	**(956.0)**	**(2,558.2)**	**(22,378.4)**	**(1,096.9)**	**(731.6)**	**(170.0)**	**(804.0)**	**(28,695.2)**
Carrying Amount								
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**	**471.4**	**63,482.0**
At December 31, 2009	**1,380.6**	**5,657.5**	**51,623.3**	**626.1**	**340.0**	**9,600.4**	**436.9**	**69,664.9**

Net changes in the scope of consolidation had a €1,097.9 million impact on property, plant and equipment. These changes mainly reflect (i) the acquisition of conventional and hydroelectric power plants from E.ON (€72.1

million); (ii) the change in the consolidation method applied to the Italy-based Reti group (€583.0 million); (iii) the first-time consolidation of Evi within Sita Nederland in the Netherlands (€187.3 million); and (iv) the acquisitions of an interest in Wuppertal Stadtwerke Energie und Wasser in Germany (€133.1 million) and of Heron in Greece (€127.1 million).

Disposals totaled €345.4 million and result mainly from the agreements signed with SPE in respect of commitments made to the Belgian government ("Pax Electrica II") for €46.3 million, and to the asset swap between Electrabel and E.ON in the amount of €164.3 million.

The main impacts of exchange rate fluctuations on the gross amount of property, plant and equipment at December 31, 2009 chiefly consist of translation gains on the Brazilian real (€1,001.0 million), Norwegian krone (€256.9 million) and pound sterling (€100.9 million), and translation losses on the US dollar (€297.0 million).

Impairment losses in 2009 amounted to €227.4 million and were chiefly recognized against the project to build a coal power station in Germany, at Brunsbüttel/Stade (€113 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 €2,596.5 million at December 31, 2009 versus €2,417.1 million at December 31, 2008.

11.3 Contractual commitments to purchase property, plant and equipment

In the ordinary course of their operations, some Group companies have 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.

Commitments made by the Group to purchase property, plant and equipment totaled €4,632.8 million at December 31, 2009 (€5,168.6 million at end-2008). The year-on-year decrease results chiefly from the decision to abandon the project for a second coal station at the Brunsbüttel/Stade site in Germany and to commitments complied with in respect of investment programs in the Energy Europe & International business line, partially offset by an increase in commitments relating to the project to construct a hydroelectric dam in Brazil (Jirau).

11.4 Other information

Borrowing costs included in the cost of property, plant and equipment amounted to €249.2 million at December 31, 2009 and €97.6 million at end-2008.

NOTE 12 INVESTMENTS IN ASSOCIATES

12.1 Breakdown of investments in associates

	Carrying amount of investments in associates		Share in net income (loss) of associates	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(in millions of euros)			
Belgian inter-municipal companies	510.2	670.4	190.4	174.8
Elia	(85.5)	(85.1)	23.4	26.7
Fluxys	242.0	240.4	57.4	31.0
Gasag	462.8	460.9	19.3	27.8
GTT	132.0	244.8	7.7	28.0
Reti Italia		277.0		1.0
SPE group		515.0		(2.0)
Other	914.1	780.9	104.6	31.0
Total	**2,175.6**	**3,104.3**	**402.9**	**318.3**

The Reti Italia group was fully consolidated with effect from January 1, 2009, while the SPE group was sold in the first half of 2009 as part of the Remedies relating to the merger between Gaz de France and SUEZ.

The sharp fall in the value of the Group's interest in inter-municipal companies reflects capital decreases as well as the reduction of the Group's shareholdings in inter-municipal companies in the Walloon region.

Dividends received by the Group from its associates amounted to €376.2 million in 2009 (€358.1 million in 2008).

Goodwill recognized by the Group on acquisitions of associates is also included in "Investments in associates" for a net amount of €280.3 million (€311.0 million at December 31, 2008).

12.2 Fair value of investments in listed associates

The net carrying amount of investments in listed associates Elia and Fluxys is €156.5 million at December 31, 2009 (€155.3 million at December 31, 2008). The market value of these companies at year-end 2009 is €936.4 million, compared with €885.3 million at year-end 2008.

12.3 Key figures of associates

	Latest % interest	Total assets	Liabilities	Equity	Revenues	Net income
			(in millions of euros)			
At December 31, 2009						
Belgian inter-municipal companies(a)(b)		11,671.0	5,911.0	5,760.0	2,493.0	681.0
Elia	24.4	4,420.0	3,052.9	1,367.1	771.3	84.3
Fluxys(b)(c)	38.5	2,664.4	1,377.8	1,286.6	592.2	111.0
GTT	40.0	133.4	58.7	74.7	141.7	65.6
At December 31, 2008						
Belgian inter-municipal companies(a)(d)		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(c)	44.8	2,664.4	1,377.8	1,286.6	592.2	111.0
GTT(e)	40.0	238.0	70.0	168.0	251.0	160.0
Reti Italia(e)	70.5	957.0	491.0	466.0	143.0	11.0
SPE group[S]	25.5	1,830.0	794.0	1,036.0	2455.0	22.0

(a) Based on the combined financial data of the Belgian inter-municipal companies, which have been restated in accordance with IFRS.

(b) The latest available data at the reporting date concerns 2008.

(c) Based on data published by Fluxys prepared in accordance with Fluxys' accounting policies.

(d) The latest available data at the reporting date concerns 2007.

(e) Corresponding to data for full-year 2008, and not from July 22, 2008.

NOTE 13 INVESTMENTS IN JOINT VENTURES

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

	Consolidation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Net income (loss)
				(in millions of euros)			
At December 31, 2009							
EFOG	22.5	130.9	348.2	13.3	173.1	148.4	58.6
Energia Sustentavel Do Brasil	50.1	120.9	471.9	21.7	69.3	0.0	4.4
Acea/Electrabel group	40.6(a)	416.9	717.8	681.1	157.5	1,102.9	(2.0)
Hisusa group	51.0(b)	947.9	2,886.0	938.8	1,026.2	1,696.5	26.7
SPP group	24.5	244.5	1,644.3	115.2	198.6	660.9	137.8
WSW Energie und Wasser	33.1	58.8	305.3	44.5	45.8	185.6	7.5
Senoko	30.0	76.9	653.0	34.4	130.7	373.6	6.3
Sociedad GNL Mejillones	50.0	20.0	170.7	143.4	51.2	0.0	(56.2)
Tirreno Power	35.0	126.9	565.1	131.6	415.9	318.7	32.7
At December 31, 2008							
EFOG	22.5	144.6	134.2	2.4	61.3	105.0	70.0
Gaselys	51.0	3,662.0	8.5	3,885.0	15.0	98.0	57.0
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
SPP group	24.5	257.0	1,986.0	105.9	150.1	366.0	71.0
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

(a) Consolidation percentage applicable to the holding companies.

(b) Agbar and its controlled subsidiaries are fully consolidated by the Hisusa group, which is proportionately consolidated by GDF SUEZ based on a 51% interest.

Gaselys was fully consolidated with effect from January 1, 2009.

Energia Sustentavel Do Brasil, which was proportionately consolidated based on a 50.1% interest, is managing the construction of the Jirau hydro-electric project representing a total capacity of 3,300 MW.

Wuppertal Stadtwerke Energie und Wasser AG, which is proportionately consolidated based on a 33.1% interest, was acquired on January 21, 2009 from WSW GmbH.

Sociedad GNL Mejillones, which is proportionately consolidated based on a 50% interest, was created in view of the construction and management of the gas terminal at Mejillones in Chile.

NOTE 14 FINANCIAL INSTRUMENTS

14.1 Financial assets

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

	December 31, 2009			December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Available-for-sale securities	3,562.9		3,562.9	3,309.0		3,309.0
Loans and receivables carried at amortized cost	3,125.1	25,620.9	28,746.0	3,575.4	28,556.7	32,132.1
Loans and receivables carried at amortized cost (excluding trade and other receivables)	*2,426.2*	*947.1*	*3,373.3*	*2,303.5*	*1,346.4*	*3,650.0*
Trade and other receivables, net		*19,748.5*	*19,748.5*		*22,729.3*	*22,729.3*
*Other assets**	*698.8*	*4,925.4*	*5,624.2*	*1,271.8*	*4,481.0*	*5,752.8*
Financial assets at fair value through income	1,926.7	9,084.9	11,011.5	2,893.4	10,208.8	13,102.2
Derivative instruments	*1,926.7*	*7,404.9*	*9,331.5*	*2,893.4*	*9,439.9*	*12,333.3*
Financial assets at fair value through income (excluding derivatives)		*1,680.0*	*1,680.0*		*768.9*	*768.9*
Cash and cash equivalents		10,323.8	10,323.8		9,049.3	9,049.3
Total	**8,614.7**	**45,029.6**	**53,644.2**	**9,777.8**	**47,814.8**	**57,592.6**

* Other assets do not include amounts relating to the drawing rights in nuclear power plants in Germany acquired from E.ON.

14.1.1 Available-for-sale securities

	In millions of euros
At December 31, 2007	**4,120.7**
Acquisitions	475.1
Disposals, net	(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**
Acquisitions	879.3
Disposals, net	(546.1)
Changes in fair value recorded in equity	(23.4)
Changes in fair value recorded in income	(66.1)
Changes in scope of consolidation, foreign currency translation and other changes	10.2
At December 31, 2009	**3,562.9**

The Group's available-for-sale securities amounted to €3,562.9 million at December 31, 2009, breaking down as €1,404.3 million of listed securities and €2,158.6 million of unlisted securities.

Acquisitions during the period relate mainly to shares subscribed as part of the capital increase carried out by Gas Natural for €308 million, representing an amount of €7.82 per share, as well as acquisitions by Synatom of various SICAV money market funds and bonds in connection with its investment obligations and following the repayment of the amount owed by ESO/Elia (see note 14.1.2).

Sales for the period mainly include the sale of Gas Natural shares in the last quarter of 2009 for €451.2 million, generating a capital gain of €21.1 million.

Changes in fair value recognized in income relate to the Group's interest in Gas Natural, on which an additional €33 million write-down was taken following the drop in the share price from €19.20 to €12.90 over the first six months of 2009. In response to the upturn in the Gas Natural share price in the second half of the year, the Group recognized a positive €102.7 million change in fair value against equity. In 2008, most impairment losses recognized concerned Gas Natural shares (€513 million).

The Group reviewed the value of its available-for-sale securities on a case-by-case basis, in order to determine whether, in light of the current market environment, any impairment losses should be recognized.

An example of an impairment indicator for listed securities is when the value of any such security falls below 50% of its historical cost or remains below its historical cost for more than 12 months.

A fall of 10% in the market price of listed shares would have a negative impact of around €140 million on the Group's comprehensive income.

The Group's main unlisted security is its interest in Atlantic LNG, which is measured based on the present value of future dividends and cash flows. The main assumptions affecting the measurement of these unlisted securities are production volumes and energy prices. A 10% change in the overall value of the Atlantic LNG share price would impact only equity, for an amount of €57.4 million.

The Group considers that no available-for-sale securities other than Gas Natural shares have suffered a significant decline in value.

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

		Remeasurement post acquisition			
	Dividends	**Change in fair value**	**Foreign currency translation**	**Impairment**	**Net gains (losses) on disposals**
			(in millions of euros)		
Equity*	—	(23.4)	(17.1)	—	—
Income	228.7			(66.1)	101.3
Total at December 31, 2009	**228.7**	**(23.4)**	**(17.1)**	**(66.1)**	**101.3**
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)**

* Excluding the tax effect.

Gains and losses initially recognized in equity and reclassified to income in 2009 under "Disposals of assets and other", total €59 million.

14.1.2 Loans and receivables at amortized cost

	December 31, 2009			December 31, 2008		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
			(in millions of euros)			
Loans and receivables carried at amortized cost (excluding trade and other receivables)	2,426.2	947.1	3,373.3	2,303.5	1,346.4	3,650.0
Loans granted to affiliated companies	*1,735.6*	*658.4*	*2,394.1*	*1,444.2*	*1,254.7*	*2,698.9*
Other receivables carried at amortized cost	*34.6*		*34.6*	*21.0*		*21.0*

	December 31, 2009			December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Amounts receivable under concession contracts	*202.3*	*116.4*	*318.7*	*298.4*	*19.5*	*317.9*
Amounts receivable under finance leases	*453.7*	*172.3*	*625.9*	*539.9*	*72.2*	*612.1*
Trade and other receivables, net		19,748.5	19,748.5		22,729.3	22,729.3
Other assets	698.8	4,925.4	5,624.2	1,271.8	4,481.0	5,752.8
Reimbursement rights	*143.1*	*0.0*	*143.1*	*405.1*	*38.6*	*443.7*
Tax receivables		*3,268.9*	*3,268.9*		*2,818.8*	*2,818.8*
Other receivables	*555.7*	*1,656.5*	*2,212.2*	*866.8*	*1,623.6*	*2,490.4*
Total	**3,125.1**	**25,620.9**	**28,746.0**	**3,575.4**	**28,556.7**	**32,132.1**

The table below shows impairment losses taken against loans and receivables carried at amortized cost:

	December 31, 2009			December 31, 2008		
	Gross	Allowances and impairment	Net	Gross	Allowances and impairment	Net
	(in millions of euros)					
Loans and receivables carried at amortized cost (excluding trade and other receivables)	3,836.8	(463.5)	3,373.3	4,124.3	(474.4)	3,650.0
Trade and other receivables	20,915.4	(1,166.9)	19,748.5	23,709.0	(979.7)	22,729.3
Other assets	5,741.7	(117.5)	5,624.2	5,897.4	(132.9)	5,752.8
Total	**30,493.9**	**(1,747.9)**	**28,746.0**	**33,730.7**	**(1,587.0)**	**32,132.1**

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

	Interest income	Remeasurement post acquisition	
		Foreign currency translation	Impairment
		(in millions of euros)	
At December 31, 2009	*186.3*	*(51.9)*	*(208.5)*
At December 31, 2008	245.0	7.4	(363.8)

Loans and receivables at amortized cost (excluding trade and other receivables)

"Loans granted to affiliated companies" include the receivable due to the Group from its associate ESO/Elia amounting to €453.4 million at December 31, 2009 and €808.4 million at December 31, 2008.

At December 31, 2009, no material impairment losses had been recognized against loans and receivables at amortized cost (excluding trade and other receivables). In light of the market environment and the financial position of some of its counterparties in 2008, the Group had recognized total impairment losses of €129.3 million against its financial assets, with the aim of reducing their carrying amount to their recoverable amount as estimated based on observable market data.

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.

Impairment losses recognized against trade and other receivables amounted to €1,166.9 million at end-2009 compared with €979.7 million at end-2008. The increase in this caption results from impairment recognized in the period for €183.4 million (€234.5 million in 2008), reflecting falling commodity prices and the economic situation in Europe.

Other assets

Other assets at December 31, 2009 include reimbursement rights comprising:

- in 2009 and 2008, insurance policies for €143.1 million and €147.2 million respectively, taken out with Contassur, a related party, in order to finance certain Group pension obligations;
- in 2008, Electrabel's reimbursement rights relating to pension obligations for employees of the distribution business of Walloon inter-municipal companies (€296.5 million, including a current portion of €35.5 million). These reimbursement rights reflect the fact that Electrabel made its personnel available to the inter-municipal companies for the day-to-day operation of the networks. All related personnel costs (including pension costs) were billed by Electrabel to the inter-municipal companies based on actual costs. Electrabel's pension obligations regarding these employees were included within liabilities under provisions for pensions and other employee benefit obligations. The matching entry was a reimbursement right in respect of the inter-municipal companies for a similar amount. As the activity in question has been sold, these reimbursement rights no longer exist.

14.1.3 Financial assets at fair value through income

	December 31, 2009			December 31, 2008		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
	(in millions of euros)					
Derivative instruments	1,926.7	7,404.9	9,331.5	2,893.4	9,439.9	12,333.3
Derivatives hedging borrowings	*938.6*	*114.8*	*1,053.4*	*964.9*	*146.5*	*1,111.4*
Derivatives hedging commodities	*961.5*	*7,252.0*	*8,213.5*	*1,762.3*	*9,217.7*	*10,980.0*
Derivatives hedging other items	*26.6*	*38.1*	*64.7*	*166.2*	*75.7*	*241.9*
Financial assets at fair value through income (excluding derivatives)	0.0	1,608.7	1,608.7	0.0	768.9	768.9
Financial assets qualifying as at fair value through income		*1,559.6*	*1,559.6*		*720.8*	*720.8*
Financial assets designated as at fair value through income		*49.2*	*49.2*		*48.1*	*48.1*
Cash collateral on derivatives hedging borrowings		71.3	71.3			
Total	**1,926.7**	**9,084.9**	**11,011.5**	**2,893.4**	**10,208.8**	**13,102.2**

Derivative instruments are put in place 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 €25.7 million in 2009.

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

14.1.4 Cash and cash equivalents

Cash and cash equivalents totaled €10,323.8 million at December 31, 2009 (€9,049.3 million at December 31, 2008).

This caption includes €149.3 million of restricted cash at end-2009 compared with €184.4 million at end-2008.

Income recognized in respect of cash and cash equivalents came to €148.9 million for the year to December 31, 2009.

14.1.5 Financial assets pledged as collateral

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Financial assets pledged as collateral	2,004.9	1,084.5

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 within the following categories at December 31, 2009:

	December 31, 2009			December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Borrowings and debt	32,154.8	10,117.4	42,272.2	24,200.4	14,641.0	38,841.4
Derivative instruments	1,791.9	7,169.6	8,961.4	2,889.6	9,472.4	12,362.0
Trade and other payables	—	16,594.4	16,594.4	—	17,914.7	17,914.7
Other financial liabilities	911.4	—	911.4	859.1	—	859.1
Total	**34,858.1**	**33,881.4**	**68,739.4**	**27,949.1**	**42,028.1**	**69,977.2**

14.2.1 Borrowings and debt

	December 31, 2009			December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Bond issues	20,605.6	1,060.1	21,665.7	11,292.5	2,426.1	13,718.6
Commercial paper		4,272.7	4,272.7		8,665.5	8,665.5
Drawdowns on credit facilities	259.5	920.1	1,179.6	2,688.5	428.4	3,116.9
Liabilities under finance leases	1,241.4	156.4	1,397.7	1,347.4	185.0	1,532.4
Other bank borrowings	7,832.0	1,663.1	9,495.1	7,151.1	807.5	7,958.6
Other borrowings	1,479.2	163.3	1,642.5	1,549.8	504.8	2,054.6
Total Borrowings	**31,417.8**	**8,235.6**	**39,653.3**	**24,029.3**	**13,017.3**	**37,046.6**
Bank overdrafts and current accounts		1,357.4	1,357.4		1,223.2	1,223.2
Outstanding Borrowings	**31,417.8**	**9,592.9**	**41,010.7**	**24,029.3**	**14,240.5**	**38,269.8**
Impact of measurement at amortized cost	636.1	244.1	880.2	113.6	305.9	419.5
Impact of fair value hedge	100.9	91.7	192.6	57.5	94.6	152.1
Cash collateral on derivatives hedging borrowings		188.6	188.6			
Borrowings and Debt	**32,154.8**	**10,117.4**	**42,272.2**	**24,200.4**	**14,641.0**	**38,841.4**

The fair value of gross borrowings and debt amounted to €41,671.8 million at December 31, 2009, compared with a carrying amount of €42,272.2 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:

	December 31, 2009			December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Derivatives hedging borrowings	636.7	115.1	751.8	790.8	234.0	1,024.9
Derivatives hedging commodities	1,085.2	7,031.0	8,116.2	2,025.2	9,169.2	11,194.4
Derivatives hedging other items	69.9	23.5	93.4	73.6	69.1	142.7
Total	**1,791.9**	**7,169.6**	**8,961.4**	**2,889.6**	**9,472.4**	**12,362.0**

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

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Trade payables	12,939.8	14,482.8
Advances and down-payments received	1,155.8	1,019.8
Payable on fixed assets	1,853.9	1,743.8
Concession liabilities	11.9	22.7
Capital renewal and replacement liabilities	633.0	645.7
Total	**16,594.4**	**17,914.7**

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:

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Payables related to acquisitions of securities	775.0	722.7
Other	136.4	136.4
Total	**911.4**	**859.1**

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 1.4.11.2), and concern:

- 49% of the capital of Gaselys in 2009;
- 33.20% of the capital of Compagnie Nationale du Rhône (CNR) in 2009 and 2008;
- 43.16% of the capital of Compagnie du Vent in 2009 and 2008;
- 40% of the capital of Energie Investimenti in 2008.

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.

The Group also holds call options on these shares as part of agreements entered into by the parties.

14.3 Net debt

	December 31, 2009			December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
	(in millions of euros)					
Outstanding borrowings and debt	31,417.8	9,592.9	41,010.6	24,029.3	14,240.5	38,269.8
Impact of measurement at amortized cost	636.1	244.1	880.2	113.6	305.9	419.5
Impact of fair value hedge(a)	100.9	91.7	192.6	57.5	94.6	152.1
Cash collateral		188.6	188.6			
Borrowings and Debt	**32,154.8**	**10,117.4**	**42,272.1**	**24,200.4**	**14,641.0**	**38,841.4**
Derivative instruments hedging borrowings under liabilities(b)	636.7	115.1	751.8	790.8	234.0	1,024.9
Gross Debt	**32,791.5**	**10,232.5**	**43,024.0**	**24,991.2**	**14,875.1**	**39,866.4**
Financial assets at fair value through income	0.0	(1,608.7)	(1,608.7)	0.0	(768.9)	(768.9)
Cash collateral		(71.3)	(71.3)			
Cash and cash equivalents	0.0	(10,323.8)	(10,323.8)	0.0	(9,049.3)	(9,049.3)
Derivative instruments hedging borrowings under assets(b)	(938.6)	(114.8)	(1,053.4)	(964.9)	(146.5)	(1,111.4)
Net Cash	**(938.6)**	**(12,118.5)**	**(13,057.1)**	**(964.9)**	**(9,964.7)**	**(10,929.6)**
Net Debt	**31,852.9**	**(1,886.1)**	**29,966.8**	**24,026.3**	**4,910.4**	**28,936.8**
Outstanding borrowings and debt	31,417.8	9,592.9	41,010.6	24,029.3	14,240.5	38,269.8
Financial assets at fair value through income	0.0	(1,608.7)	(1,608.7)	0.0	(768.9)	(768.9)
Cash and cash equivalents	0.0	(10,323.8)	(10,323.8)	0.0	(9,049.3)	(9,049.3)
Net Debt Excluding the Impact of Derivative Instruments, Cash Collateral and Amortized Cost	**31,417.8**	**(2,339.6)**	**29,078.1**	**24,029.3**	**4,422.3**	**28,451.6**

(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 qualifying as net investment hedges (see Notes 14.1.3 and 14.2.2).

14.3.1 Main debt issues during the period

In 2009, the GDF SUEZ Group carried out a series of bond issues for a total of €10,085 million, mainly comprising:

- an issue of €4.2 billion consisting of three tranches:
  - 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%;
- an issue of €2.1 billion consisting of two tranches:
  - a 5-year tranche for €1.3 billion, maturing on April 8, 2014 and paying interest of 4.875%,
  - a 10-year tranche for €800 million, maturing on April 8, 2019 and paying interest of 6.25%;
- a public issue of €750 million on Belgian and Luxembourg markets. These bonds were issued at 102% of par for a 6-year term. They mature on February 23, 2015 and pay interest of 5%;
- an issue of £700 million maturing on February 11, 2021 and paying interest of 6.125%;
- an 8-year issue of €250 million maturing on June 8, 2017 and paying interest of 5.20%;
- an issue of €500 million maturing on July 22, 2024 and paying interest of 5.50%;
- an issue of €150 million maturing on October 12, 2017 and paying interest of 4.50%;
- an issue of JPY 65 billion maturing on December 15, 2014 and paying interest of 1.17%.

As part of the Group's risk management policy, these bond issues are hedged to reduce exposure to changes in interest rates and exchange rates. The sensitivity of the Group's debt (including interest rate and foreign currency derivatives) to interest rate and currency risk is presented in Note 15, "Management of risks arising from financial instruments".

The Group did not restructure its debt in 2009.

Changes in the scope of consolidation in 2009 led to a €725 million increase in net debt. Foreign currency translation increased net debt by €337 million.

14.3.2 Debt/equity ratio

	December 31, 2009	December 31, 2008
	(in millions of euros)	
Net debt	29,966.8	28,936.8
Total equity	65,526.6	62,818.3
Debt/equity ratio	45.7%	46.1%

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 Fair value of financial instruments (excluding commodity instruments)

15.1.1.1 Financial assets

The table below presents the allocation of financial instruments (excluding commodity derivatives) carried in assets by fair value level. A definition of the various levels in the fair value hierarchy is provided in note 1.4.11:

	December 31, 2009			
	Total	Level 1	Level 2	Level 3
	(in millions of euros)			
Available-for-sale securities	3,562.9	1,404.3		2,158.6
Loans and receivables at amortized cost used in designated fair value hedges	269.9	0.0	269.9	0.0
Loans and receivables at amortized cost (excluding trade and other receivables)	*269.9*		*269.9*	
Derivative instruments	1,118.0	0.0	1,100.0	18.0
Derivatives hedging borrowings	*1,053.4*		*1,035.4*	*18.0*
Derivatives hedging other items	*64.7*		*64.7*	
Financial assets at fair value through income	1,608.7	1,339.6	269.1	0.0
Financial assets qualifying as at fair value through income	*1,559.6*	*1,339.6*	*220.0*	
Financial assets designated as at fair value through income	*49.2*		*49.2*	
Total	**6,559.6**	**2,743.9**	**1,639.1**	**2,176.6**

Available-for-sale securities

Listed securities as they are measured at their market price at the end of the reporting period are included in level 1.

Unlisted securities as they are measured using valuation models based primarily on recent market transactions, the present value of dividends/cash flows or net asset value are included in level 3.

Loans and receivables at amortized cost (excluding trade and other receivables)

Loans and receivables at amortized cost (excluding trade and other receivables) comprise items used in designated fair value hedges. The fair value of these items is measured based on observable interest rate and foreign exchange rate inputs and are therefore included in level 2.

Derivative instruments

The derivative instruments used by the Group to manage its risk exposure mainly include interest rate and currency swaps and options, cross currency swaps and credit default swaps. The fair value of virtually all of these instruments is determined using internal valuation models based on observable market data. They are therefore included in level 2.

The maturity of some interest rate hedges falls after the observable interest rate period. Accordingly, these instruments are included in level 3 of the fair value hierarchy.

Financial assets qualifying and designated as at fair value through income

Financial assets qualifying as at fair value through income for which the Group has regular liquid values are included in level 2.

Financial assets designated as at fair value through income are included in level 2.

At December 31, 2009, the change in level 3 financial assets (excluding commodity derivatives) can be analyzed as follows:

	Available-for-sale securities
	(in millions of euros)
At December 31, 2008	**2,237.7**
Gains and losses recorded in income	(33.0)
Gains and losses recorded in equity	(57.9)
Acquisitions	81.0
Disposals	65.2
Changes in scope of consolidation, foreign currency translation and other changes	(134.4)
At December 31, 2009	**2,158.6**
Gains and losses recorded in income relating to instruments held at the end of the period	117.4

The sensitivity of the main unlisted security is described in note 14.1.1.

15.1.1.2 Financial liabilities

The table below presents the allocation of financial instruments (excluding commodity derivatives) carried in liabilities. A definition of the various levels in the fair value hierarchy is provided in note 1.4.11:

	December 31, 2009			
	Total	Level 1	Level 2	Level 3
	(in million of euros)			
Borrowings used in designated fair value hedges	8,295.5		8,295.5	
Derivative instruments	845.2	0.0	845.2	0.0
Derivatives hedging borrowings	*751.8*		*751.8*	
Derivatives hedging other items	*93.4*		*93.4*	
Total	**9,140.7**	**0.0**	**9,140.7**	**0.0**

Borrowings and debt

This caption includes bonds used in designated fair value hedges. As the fair value of these items is measured based on observable interest rate and foreign exchange rate inputs, these bonds are included in level 2.

See note 15.1.1.1 for disclosures on derivative instruments.

15.1.2 Counterparty risk

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

Operating activities

The management of counterparty risk arising on the sale of energy to residential customers is an integral part of managing working capital and monitoring bad debt indicators and provisioning requirements. For the Group's other segments, counterparty risk is governed by the hedging policies approved by the executive management teams of the business lines concerned. These policies were fleshed out and aligned with the Group's counterparty risk management policy as approved by Executive Management in April 2009, which requires each of the Group's main energy counterparties to be assigned a credit rating.

In each of the business lines concerned, executive management teams appoint a risk control committee (or several such committees, depending on the geographical reach of the business line) which is independent from the front office. These committees supervise and control risks and the strategies in place to reduce the business line's exposure to counterparty risk. Compliance with the Group's hedging policies is verified on a regular basis. Counterparty risk management is reinforced by second-tier controls carried out by the Finance division. The Group's exposure to its main energy counterparties is consolidated and monitored on a quarterly basis within the scope of the Energy Market Risk Committee (CRME), which also ensures that the exposure limits set for these counterparties are respected.

Counterparty risk arising on all trading and portfolio management activities and industrial customers consuming large quantities of energy (more than 150 GWh/year for gas and 100 GWh/year for electricity), is consolidated by the Group and broken down into two main sources of risk:

- payment risk, corresponding to unpaid physical deliveries of energy (energy delivered but unbilled, energy billed but unpaid, and energy delivered before cut-off);
- replacement risk, corresponding to the cost of replacing a contract in default (mark-to-market).

The credit quality of this portfolio is assessed by analyzing the concentration of counterparties by rating category.

Past-due trade and other receivables are analyzed below:

	Past due assets not impaired at the reporting date				Impaired assets	Assets neither impaired nor past due	Total
Trade and other receivables	0-6 months	6-12 months	More than 1 year	Total	Total	Total	
	(in millions of euros)						
At December 31, 2009	1,085.6	304.7	176.8	1,567.0	1,447.2	17,900.5	20,914.8
At December 31, 2008	3,370.8	354.7	328.6	4,054.1	980.4	18,674.4	23,709.0

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 or not 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.

Financing activities

For its financing activities, the Group has put in place procedures for managing and monitoring risk based on (i) the accreditation of counterparties according to external credit ratings, objective market data (credit default swaps, market capitalization) and financial structure, and (ii) risk exposure limits.

The Group also draws on a structured legal framework based on master agreements (including netting clauses) and collateralization contracts (margin calls).

The oversight procedure for managing counterparty risk arising from financing activities is managed by a middle office that operates independently of the Group's Treasury department and reports to the Finance division.

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 statement of financial position.

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

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

Loans and receivables at amortized cost (excluding trade and other receivables)	Past due assets not impaired at the reporting date				Impaired assets	Assets neither impaired nor past due	Total
	0-6 months	6-12 months	More than 1 year	Total	Total	Total	
				(in millions of euros)			
At December 31, 2009	15.0	2.0	10.0	27.0	463.5	3,344.9	3,835.4
At December 31, 2008	666.1	64.3	18.3	748.7	531.5	2,895.2	4,175.3

The balance of outstanding loans and receivables carried at amortized cost (excluding trade and other receivables) does not include impairment losses or changes in fair value and in amortized cost, which came to the respective amounts of €(463.5) million, €(4.6) million, and €6.0 million for the year to December 31, 2009, versus €(474.4) million, €(64.8) million and €13.9 million, respectively, for the year to December 31, 2008. 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, credit risk arises on instruments with a positive fair value.

At December 31, 2009, total outstandings exposed to credit risk amounted to €12,986 million. Investment grade counterparties (rated at least BBB- by Standard & Poor's or Baa3 by Moody's) represent 84% of the exposure. The remaining exposure arises on either unrated (15%) or non-investment grade counterparties (1%). 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, 2009, no single counterparty represented more than 13% of cash investments.

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).

15.1.3 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 France, Belgium and Luxembourg for Europe, and in the United States for North America. These vehicles centralize virtually all of the cash requirements and surpluses of companies controlled by the Group, ensuring that counterparty risk and investment strategies are managed consistently.

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, 2009, bank loans accounted for 35% of gross debt (excluding overdrafts and the impact of derivatives and amortized cost), while the remaining debt was raised on capital markets (including €21,666 million in bonds, or 55% of gross debt). Commercial paper represented 10% of gross debt, or €4,273 million at December 31, 2009 (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 €15,871 million at December 31, 2009, of which €1,180 million had been drawn down. 80% of the total lines of credit and 87% of the lines not drawn are centralized. None of these facilities contain a default clause linked to covenants or minimum credit ratings.

Available cash, comprising cash and cash equivalents, financial assets qualifying and designated as at fair value through income, less bank overdrafts, totaled €10,575 million at December 31, 2009.

The onset of the interbank liquidity crunch in fourth-quarter 2008 and the ensuing rise in counterparty risk led the Group to adjust its investment policy in order to maximize liquidity and safeguard assets. This policy was also pursued in 2009. At December 31, 2009, 92% 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.

15.1.3.1 Undiscounted contractual payments

At December 31, 2009, undiscounted contractual payments on net debt (excluding the impact of derivatives and amortized cost) break down as follows by maturity:

	At December 31, 2009						
	Total	2010	2011	2012	2013	2014	Beyond 5 years
	(in millions of euros)						
Bond issues	21,665.7	1,060.1	897.2	2,846.9	1,348.2	3,700.1	11,813.3
Commercial paper	4,272.7	4,272.7	0.0	0.0	0.0	0.0	0.0
Drawdowns on credit facilities	1,179.6	920.1	36.1	97.6	0.2	63.3	62.2
Liabilities under finance leases	1,397.7	156.4	146.6	134.7	155.7	103.8	700.6
Other bank borrowings	9,495.1	1,663.1	943.3	852.5	1,148.6	1,043.3	3,844.3
Other borrowings	1,642.5	163.3	101.7	254.4	155.7	277.1	690.3
Bank overdrafts and current accounts	1,357.4	1,357.4	0.0	0.0	0.0	0.0	0.0
Outstanding Borrowings and Debt	**41,010.7**	**9,592.9**	**2,124.8**	**4,186.0**	**2,808.5**	**5,187.6**	**17,110.8**
Financial assets qualifying or designated as at fair value through income	(1,608.7)	(1,608.7)	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	(10,323.8)	(10,323.8)	0.0	0.0	0.0	0.0	0.0
Net Debt Excluding the Impact of Derivative Instruments, Cash Collateral and Amortized Cost	**29,078.2**	**(2,339.6)**	**2,124.8**	**4,186.0**	**2,808.5**	**5,187.6**	**17,110.8**

	At December 31, 2008						
	Total	2009	2010	2011	2012	2013	Beyond 5 years
	(in millions of euros)						
Outstanding Borrowings and Debt	**38,269.9**	**14,240.5**	**3,363.4**	**1,382.8**	**4,107.3**	**2,585.0**	**12,590.8**
Financial assets qualifying or designated as at fair value through income, and cash and cash equivalents	(9,818.2)	(9,818.3)	0.0	0.0	0.0	0.0	0.0
Net Debt Excluding the Impact of Derivative Instruments, Cash Collateral and Amortized Cost	**28,451.7**	**4,422.2**	**3,363.4**	**1,382.8**	**4,107.3**	**2,585.0**	**12,590.8**

At December 31, 2009, undiscounted contractual interest payments on outstanding borrowings and debt break down as follows by maturity:

	At December 31, 2009						
	Total	2010	2011	2012	2013	2014	Beyond 5 years
	(in millions of euros)						
Undiscounted contractual interest payments on outstanding borrowings and debt	13,694.4	1,600.3	1,557.7	1,517.9	1,356.6	1,219.8	6,442.1

	At December 31, 2008						
	Total	2009	2010	2011	2012	2013	Beyond 5 years
	(in millions of euros)						
Undiscounted contractual interest payments on outstanding borrowings and debt	9,316.9	1,190.4	1,079.0	921.7	875.5	830.0	4,420.3

At December 31, 2009, 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, 2009						
	Total	2010	2011	2012	2013	2014	Beyond 5 years
	(in millions of euros)						
Derivatives (excluding commodity instruments)	325.9	90.7	222.9	49.9	(9.1)	(15.3)	(13.1)

	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

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

	Total	2010	2011	2012	2013	2014	Beyond 5 years
				(in millions of euros)			
At December 31, 2009	14,691.2	2,991.1	751.4	9,473.7	126.8	1,130.5	217.7

	Total	2009	2010	2011	2012	2013	Beyond 5 years
At December 31, 2008	11,405.4	1,227.8	1,478.6	335.1	7,061.2	135.7	1,167.1

Of these undrawn programs, €4,273 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, 2009, no single counterparty represented more than 8.5% of the Group's confirmed undrawn credit lines.

15.1.4 Market risk

15.1.4.1 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statements of financial position and income 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 a type of insurance against a collapse in the value of the Brazilian real (risk of an abrupt temporary decline in the currency value) because of (i) the excessively high interest rate spread, and (ii) the indexation of local revenues. Since 2005, the Group has purchased protection against sovereign risk in the form of credit default swaps.

An analysis of market conditions is performed on a monthly basis for the US dollar and the pound sterling, and reviewed as appropriate for emerging countries so that the impact of any sudden sharp fall in the value of a currency can be cushioned. 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 Group also uses derivative instruments to hedge its exposure to transaction risk arising on its operating and financial activities (foreign currency loans, borrowings, interest and dividend payments, and foreign currency inflows and disbursements arising from operating activities).

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

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
EUR zone	65%	63%	75%	67%
USD zone	14%	18%	11%	19%
GBP zone	4%	2%	2%	1%
Other currencies	16%	17%	12%	13%
Total	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
EUR zone	60%	56%	73%	63%
USD zone	18%	23%	13%	23%
GBP zone	5%	1%	2%	1%
Other currencies	18%	19%	12%	13%
Total	**100%**	**100%**	**100%**	**100%**

Foreign currency derivatives

Derivatives used to hedge currency risk are presented below.

Foreign currency derivatives

	December 31, 2009		December 31, 2008	
	Market value	Nominal amount	Market value	Nominal amount
	(in millions of euros)			
Fair value hedges	33.7	2,011.6	30.7	1,232.4
Cash flow hedges	(25.2)	2,497.9	11.0	2,014.9
Net investment hedges	36.1	3,345.6	295.8	4,734.8
Derivative instruments not qualifying for hedge accounting	0.4	13,314.3	51.0	8,338.3
Total	**45.0**	**21,169.3**	**388.6**	**16,320.3**

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.

Derivative instruments not qualifying for hedge accounting correspond to instruments that do not meet the definition of hedges from an accounting perspective. 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”.

15.1.4.2 Interest rate derivatives

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 (5 to 10 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.

The Group contracted interest rate derivatives in 2009, favoring long-term hedges at fixed rates in order to take advantage of a significant drop in the long-term US dollar and euro interest rate.

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. These are monitored on a monthly basis. 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, 2009, the Group has a portfolio of interest rate swaps and 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 2009, hardly any options hedging euros, US dollars and pound 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

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	41%	43%	55%	58%
Fixed rate	59%	57%	45%	42%
Total	**100%**	**100%**	**100%**	**100%**

Net debt

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	20%	23%	42%	45%
Fixed rate	80%	77%	58%	55%
Total	**100%**	**100%**	**100%**	**100%**

Loans granted to affiliated companies

	December 31, 2009		December 31, 2008	
	Before hedging	**After hedging**	**Before hedging**	**After hedging**
Floating rate	56%	63%	54%	63%
Fixed rate	44%	37%	46%	37%
Total	**100%**	**100%**	**100%**	**100%**

Interest rate derivatives

Derivatives used to hedge interest rate risk are presented below.

	December 31, 2009		December 31, 2008	
	Market value	**Nominal amount**	**Market value**	**Nominal amount**
	(in millions of euros)			
Fair value hedges	367.2	7,308.2	233.5	5,266.3
Cash flow hedges	(178.8)	4,727.3	(362.5)	4,662.5
Derivative instruments not qualifying for hedge accounting	18.0	14,924.1	(103.6)	9,847.2
Total	**206.5**	**26,959.6**	**(232.6)**	**19,775.9**

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.

Derivative instruments not qualifying for hedge accounting correspond to instruments that do not meet the definition of hedges from an accounting perspective, even though they act as economic hedges of borrowings.

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".

15.1.4.3 Specific impact of currency and interest rate hedges

Fair value hedges

At December 31, 2009, 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:

	December 31, 2009
	Market value by maturity
	(in millions of euros)
2010	(76.6)
2011	(62.5)
2012	(5.2)
2013	27.5
2014	(5.4)
Beyond 5 years	(81.6)
Total	**(204.0)**

At December 31, 2009, gains and losses taken to equity in the period totaled €141.7 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 €8.1 million.

Net investment hedges

The ineffective portion of net investment hedges recognized in income represents a gain of €16.8 million.

15.1.4.4 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 reporting date.

For currency risk, sensitivity corresponds to a 10% rise or fall 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 statements of financial position, 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 ultimately be a gain (or loss) of €52 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 €124.7 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% increase or decrease 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 €82.2 million on net interest expense. A fall of 1% in short-term interest rates would reduce net interest expense by €35.3 million. The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to a certain number of financial assets and liabilities.

In the income statement, a rise of 1% in interest rates (across all currencies) would result in a gain of €268.3 million attributable to changes in the fair value of derivatives not documented or qualifying as net investment hedges. However, a fall of 1% in interest rates would generate a loss of €210.7 million. The asymmetrical impacts are attributable to the interest rate cap portfolio.

Impact on equity

A uniform rise or fall of 1% in interest rates (across all currencies) would have a positive or negative impact of €212.5 million on equity, attributable to changes in the fair value of derivative instruments designated as cash flow hedges.

15.1.4.5 Market risk: equity instruments

At December 31, 2009, available-for-sale securities held by the Group amounted to €3,562.9 million (see note 14.1.1).

The sensitivity of available-for-sale securities to changes in market conditions is described in note 14.1.1. 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.

15.2 Management of risks arising from commodity instruments

15.2.1 Strategy and objectives

The Group is exposed to the risk of fluctuations in commodity prices, primarily through its electricity production activities, short- and long-term natural gas supply services, Exploration & Production activities, and the sale of natural gas and electricity. Commodity price risk is managed by carrying out transactions on the natural gas, electricity, oil and coal markets. The Group is also active on the European greenhouse gas emission trading rights market. These transactions can 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.

Use of these derivatives is governed by hedging policies approved by the executive management teams of the business lines concerned, while any key policy decisions are validated by the Energy Market Risk Committee (CRME). Portfolio management teams manage market and counterparty risks in accordance with the objectives and exposure limits set by the respective executive management teams. These policies were fleshed out and aligned with the Group's market and counterparty risk management strategy as approved by Executive Management in April 2009.

In each of the business lines concerned, executive management appoints a risk control committee (or several such committees, depending on the geographical reach of the business line concerned) which is independent from portfolio management teams. These committees supervise and control risks and the management strategies in place to reduce exposure to changes in commodity prices and to counterparty risk. Positions taken are regularly reviewed to ensure that they comply with the Group's hedging policies. To ensure that market risks are being managed and monitored appropriately by the business lines and consolidated at Group level, a second-tier control has been set up by the Group's Finance division.

15.2.1.1 Portfolio management activities

Portfolio management seeks to optimize the market value of assets (power plants, gas supply contracts, coal, energy sales and gas storage and transmission) over various timeframes (short-, medium- and long-term). Market value is optimized by:

- guaranteeing supply and ensuring the balance between needs and physical resources;
- managing market risks (price, volume);
- unlocking optimum value from portfolios within a specific risk framework;
- where appropriate, structuring products designed for companies engaged in selling activities.

Risk management framework aims to smooth out and safeguard the Group's financial resources over periods of one month to three or five years, depending on the maturity of each market. As a consequence portfolio managers often take out economic hedges which can lead to volatility in earnings when the derivatives used do not qualify for hedge accounting as defined by IAS 39.

Hedging transactions

The Group enters into cash flow hedges and fair value hedges as defined by IAS 39, using derivative instruments (firm or option contracts) 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.

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 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 related to the host contract; or (iii) other clauses.

15.2.1.2 Trading activities

Some Group entities are engaged in trading activities. The primary aim of these activities is to provide support for the Group's portfolio managers in:

- accessing the wholesale energy market;
- advising on and executing hedges;
- providing delegated management services for certain assets.

To a lesser extent, the Group is also engaged in proprietary trading. These transactions are carried out in compliance with strict risk policies and include:

- proprietary trading transactions that may or may not be match-funded with assets;
- market services to direct customers, i.e., customers not handled by the Group's sales teams.

Activities in this respect include spot or forward transactions concerning natural gas, electricity, various oil-based products, coal, biomass and CO_2 emissions rights on organized markets or over-the-counter. These transactions are executed in Europe and the United States using various instruments, including:

- futures contracts involving physical delivery of an energy commodity;
- swaps providing for payments to or by counterparties of an amount corresponding to the difference between a fixed and variable price for the commodity;
- options and other contracts.

Gross margin on trading activities came in at €340 million in 2009 (€205 million in 2008).

15.2.2 Fair value of commodity derivatives

The fair values of commodity derivatives at December 31, 2009 and 2008 are indicated in the table below:

	December 31, 2009				December 31, 2008			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Derivative instruments relating to portfolio management activities	2,335.5	961.5	(2,193.6)	(1,085.2)	3,315.3	1,762.3	(3,641.3)	(2,025.2)
Cash flow hedges	*1,213.6*	*516.2*	*(1,389.4)*	*(592.0)*	*1,970.0*	*1,112.2*	*(2,615.2)*	*(1,603.7)*
Fair value hedges	*164.4*	*58.1*	*(153.3)*	*(56.9)*	*74.0*	*64.7*	*(73.0)*	*(64.7)*
Other derivative instruments	*957.5*	*387.2*	*(650.9)*	*(436.4)*	*1,271.3*	*585.4*	*(953.1)*	*(356.7)*
Derivative instruments relating to trading activities	4,916.6	—	(4,837.4)	—	5,902.4	—	(5,527.9)	—
Total	**7,252.0**	**961.5**	**(7,031.0)**	**(1,085.2)**	**9,217.7**	**1,762.3**	**(9,169.2)**	**(2,025.2)**

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 end of the reporting period. 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.

Commodity derivatives are measured using the following levels in the fair value hierarchy:

	December 31, 2009							
	Assets				Liabilities			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(in millions of euros)							
Derivative instruments relating to portfolio management activities	3,296.9	232.8	3,046.1	18.0	(3,278.8)	(92.6)	(3,101.3)	(85.0)
Derivative instruments relating to trading activities	4,916.6	515.5	4,375.0	26.0	(4,837.4)	(468.6)	(4,368.8)	—
Total	**8,213.5**	**748.3**	**7,421.1**	**44.0**	**(8,116.2)**	**(561.2)**	**(7,470.0)**	**(85.0)**

Derivative instruments included in level 1 are mainly futures traded on organized markets with clearing houses. They are measured at fair value based on their quoted price.

The measurement at fair value of derivative instruments included in level 3 is based on non-observable inputs and internal assumptions, usually because the maturity of the instruments exceeds the observable period for the forward price of the underlying, or because certain inputs such as the volatility of the underlying were not observable at the measurement date.

The measurement at fair value of other derivative instruments is based on commonly-used models in the commodities trading environment, and includes directly and indirectly observable inputs. These instruments are included in level 2 of the fair value hierarchy.

Cash flow hedges

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

	December 31, 2009				December 31, 2008			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Natural gas	301.1	71.4	(419.6)	(215.8)	673.1	79.0	(180.2)	(141.8)
Electricity	284.2	124.2	(178.4)	(95.0)	102.1	82.1	(262.8)	(192.3)
Coal	9.6	17.0	(7.1)	(11.5)	40.5	22.0	(34.6)	(5.9)
Oil	600.0	264.3	(767.8)	(255.2)	1,144.8	928.7	(2,119.4)	(1,262.9)
Other	18.6	39.1	(16.4)	(14.5)	9.5	0.4	(18.2)	(0.8)
Total	**1,213.6**	**516.2**	**(1,389.4)**	**(592.0)**	**1,970.0**	**1,112.2**	**(2,615.2)**	**(1,603.7)**

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

	Notional amounts (net)*						
	2010	2011	2012	2013	2014	Beyond 5 years	Total
	(in GWh at December 31, 2009)						
Natural gas, electricity and coal	37,328.3	33,074.4	13,891.5	7,424.0	—	—	91,718.2
Oil-based products	107,402.0	37,524.0	11,480.0	70.0	—	—	156,476.0
Other	(1,503.5)	(4,189.5)	(2,797.0)	—	—	—	(8,490.0)
Total	**143,226.8**	**66,408.9**	**22,574.5**	**7,494.0**	**—**	**—**	**239,704.2**

* Long position/(short position).

	Notional amounts (net)*						
	2010	2011	2012	2013	2014	Beyond 5 years	Total
	(in thousands of tons at December 31, 2009)						
Greenhouse gas emission rights	850.0	409.0	(1,125.0)	—	—	—	134.0
Total	**850.0**	**409.0**	**(1,125.0)**	**—**	**—**	**—**	**134.0**

* Long position/(short position).

At December 31, 2009, a gain of €312 million was recognized in equity in respect of cash flow hedges versus a loss of €1,050 million at end-2008. A loss of €599 million was reclassified from equity to income in 2009, compared with a gain of €387 million in 2008.

Gains and losses arising on the ineffective portion of hedges are taken to income. A loss of €38 million was recognized in income in 2009, compared with a loss of €2 million in 2008.

Fair value hedges

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

	December 31, 2009				December 31, 2008			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	(in millions of euros)							
Natural gas	18.5	4.3	(12.9)	(0.9)	—	—	—	—
Electricity	143.3	49.5	(137.9)	(51.8)	68.6	64.7	(68.6)	(64.7)
Other	2.6	4.3	(2.6)	(4.3)	5.3	—	(4.4)	—
Total	**164.4**	**58.1**	**(153.3)**	**(56.9)**	**74.0**	**64.7**	**(73.0)**	**(64.7)**

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

At December 31, 2009, a loss of €324 million was recognized in income in respect of the hedging derivative instrument (versus a loss of €64 million in 2008), while a gain of €323 million was recognized in respect of the hedged firm commitment (versus a gain of €65 million in 2008).

15.2.3 Financial risks arising from the use of commodity derivatives

15.2.3.1 Counterparty risk

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

The procedure for managing counterparty risk arising from operating activities in the Group's business lines has been reinforced by second-tier controls carried out by 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).

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.

Counterparty risk(a)	December 31, 2009 Investment grade(b)	December 31, 2009 Total	December 31, 2008 Investment grade(b)	December 31, 2008 Total
	(in millions of euros)			
Counterparties				
Gross exposure	9,629.3	10,476.7	12,424.0	13,091.0
Net exposure(c)	2,451.0	2,647.8	2,155.0	2,328.0
% exposure to investment grade *counterparties*	*92.6%*		*92.6%*	

(a) Excluding positions with a negative fair value.

(b) "Investment grade" corresponds to transactions with counterparties rated 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.

15.2.3.2 Liquidity risk

See note 15.1.3 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 end of the reporting period.

Liquidity risk

	2010	2011	2012	2013	2014	Beyond 5 years	Total
	(in millions of euros)						
Derivative instruments carried in liabilities							
relating to portfolio management activities	*(2,224.3)*	*(722.8)*	*(245.5)*	*(39.2)*	*(17.7)*	*(52.7)*	*(3,302.2)*
relating to trading activities	*(4,814.1)*						*(4,814.1)*
Derivative instruments carried in assets							
relating to portfolio management activities	*2,278.4*	*673.0*	*256.4*	*44.9*	*3.8*	*11.6*	*3,268.1*
relating to trading activities	*4,894.9*						*4,894.9*
Total at December 31, 2009	**134.9**	**(49.9)**	**10.9**	**5.7**	**(13.9)**	**(41.1)**	**46.7**

	2009	2010	2011	2012	2013	Beyond 5 years	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)**

At December 31, 2009, the Group provides an analysis of residual contractual maturities of commodity derivative instruments included in its portfolio management activities. Derivative instruments relating to trading activities are considered to be liquid in less than one year, and are presented under current items in the statement of financial position.

At December 31, 2008, the Group provided an analysis of residual contractual maturities for all commodity derivative instruments. Derivative instruments relating to trading activities were presented under current items in the statement of financial position.

15.2.3.3 Market risk

With a view to aligning the market risk policies of the merged Group, GDF SUEZ has defined a new market risk management policy applicable to all of its business lines. This policy is currently being rolled out by the business lines.

Portfolio management activities

Market risk arising from commodity derivative instruments in the portfolio management activity is assessed, measured and managed using sensitivity analyses, together with other market risk exposure indicators. 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 Group. The analyses are determined excluding the impact of commodity purchase and sale contracts entered into within the ordinary course of business.

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 Group's derivative portfolios, the sensitivity analysis is symmetrical for price increases and decreases.

		December 31, 2009		December 31, 2008(a)	
Sensitivity analysis	**Price movements**	**Pre-tax impact on income**	**Pre-tax impact on equity**	**Pre-tax impact on income**	**Pre-tax impact on equity**
			(in millions of euros)		
Oil-based products	+10.00 USD/bbl	(96.6)	326.2	(65.0)	275.4
Natural gas	+3.00 €/MWh	166.9	(12.6)	42.3	(123.2)
Coal	+10.00 USD/ton	82.4	70.7	—	—
Electricity	+5.00 €/MWh	(30.4)	(46.4)	(2.1)	(23.4)
Greenhouse gas emission rights	+2.00 €/ton	(32.1)	(6.5)	—	—
EUR/USD	+10.00%	76.2	(212.7)	35.1	(135.6)
EUR/GBP	+10.00%	(58.8)	(1.6)	—	—

(a) Excluding Energy Europe & International.

At December 31, 2008, the VaR of market risks relating to derivative instruments included in the portfolio management activities by Energy Europe & International was measured at €30 million, based on a 1-day holding period and a 95% confidence interval.

Trading activities

Market risk arising from commodity derivative instruments relating to trading activities 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. 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.

Use of these techniques requires the determination of key assumptions, notably the selection of a confidence interval and a holding period, which the Group has set at 99% and 1 day, respectively. The values-at-risk shown below correspond to the aggregate VaR of the Group's trading entities.

Value-at-risk	December 31, 2009	2009 average(a)	2008 average(a)	2009 maximum(b)	2009 minimum(b)
			(in millions of euros)		
Trading activities	7.2	6.2	7.6	12.6	2.9

(a) Average daily VaR.

(b) Based on month-end highs and lows observed in 2009.

Unlike VaR reported in the 2008 consolidated financial statements, average VaR in 2008 and presented above includes the trading activities of the entire Group, based on a 99% confidence interval.

15.2.4 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, 2009	Within 1 year	1 to 5 years	More than 5 years	Dec. 31, 2008
			(in TWh)		
Firm purchases of commodities, fuel and services	(11,897.2)	(959.0)	(3,174.9)	(7,763.2)	(11,759.2)
Total commitments given	**(11,897.2)**	**(959.0)**	**(3,174.9)**	**(7,763.2)**	**(11,759.2)**
Firm sales of gas, electricity, steam, oil and services	1,841.8	498.1	604.0	739.7	1,885.4
Total commitments received	**1,841.8**	**498.1**	**604.0**	**739.7**	**1,885.4**

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

	Number of shares			Value		
	Total	Treasury	Outstanding	Share capital	Additional paid-in capital	Treasury stock
					(in millions of euros)	
At December 31, 2007	**1,307,043,522**	**30,538,572**	**1,276,504,950**	**2,614.1**	**12,302.0**	**1,214.7**
Share issuances	1,898,431		1,898,431	3.8	44.0	
Gaz de France acquisition	1,207,660,692		1,207,660,692	1,207.7	16,878.9	
Conversion into GDF SUEZ shares	(325,069,965)	104,394	(325,174,359)	(1,634.1)		(193.4)
At July 22, 2008	*2,191,532,680*	*30,642,966*	*2,160,889,714*	*2,191.5*	*29,224.9*	*1,021.3*
Share issuances	2,111,140		2,111,140	2.1	33.4	
Purchases and disposals of treasury stock		17,680,535	(17,680,535)			720.0
At December 31, 2008	**2,193,643,820**	**48,323,501**	**2,145,320,319**	**2,193.6**	**29,258.3**	**1,741.3**
Share issuances	1,934,429		1,934,429	1.9	30.2	
Stock dividends	65,398,018		65,398,018	65.4	1,301.1	
Purchases and disposals of treasury stock		(3,208,648)	3,208,648			(97.3)
At December 31, 2009	**2,260,976,267**	**45,114,853**	**2,215,861,414**	**2,261.0**	**30,589.6**	**1,644.1**

Shares were issued during the year as a result of the following operations:

- payment of a portion of the special dividend in stock. On May 4, 2009, the Shareholders' Meeting resolved that a special €0.80 per share dividend could be paid in cash or in stock. The special dividend was paid on June 4, 2009 in cash for €340.6 million and in stock for €1,376.6 million, representing an increase of 65,398,018 new shares;
- the exercise of stock subscription options, accounting for the issuances during the period.

Changes in the number of shares during 2008 reflect:

- the merger of SUEZ into Gaz de France, effective July 22, 2008, based on a ratio of 21 Gaz de France shares for 22 SUEZ shares. 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 is for the purposes of the consolidated financial statements and has no impact on shareholders' equity;

- no treasury shares held by SUEZ or SUEZ shares held by Gaz de France were exchanged. On July 22, 2008, 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.

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 May 4, 2009. This program provides for the repurchase of up to 10% of the shares comprising the 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 Board of Director's report on the resolutions submitted to the Ordinary and Extraordinary Shareholders' Meeting of May 4, 2009.

16.4 Other disclosures concerning additional paid-in capital and consolidated reserves

Total additional paid-in capital and consolidated reserves at December 31, 2009 (including net income for the year) amounted to €59,644 million, of which €226.1 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 €47,789.3 million at December 31, 2009 (€50,797.9 million at December 31, 2008).

16.5 Dividends

	Amount distributed	Net dividend per share in euros	Number of shares
	(in millions of euros)	(cash dividends)	(stock dividends)
In respect of 2007			
Paid by SUEZ SA (May 14, 2008)	1,727.7	1.36	
Paid by Gaz de France SA (May 27, 2008)	1,214.0	1.26	
In respect of 2008			
Interim dividend (paid November 27, 2008)	1,723.9	0.80	
Remaining dividend payout for 2008 (paid May 6, 2009)	1,287.2	0.60	
Special dividend (paid in cash or in shares at the option of shareholders, June 4, 2009)	1,717.2		
paid in cash	*340.6*	*0.80*	
paid in shares	*1,376.6*		*65,398,018*

	Amount distributed	Net dividend per share in euros	Number of shares
In respect of 2009			
Interim dividend (paid December 18, 2009)	1,772.7	0.80	

Recommended dividend for 2009

Shareholders at the GDF SUEZ Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2009 will be asked to approve a dividend of €1.47 per share, representing a total amount of €3,324 million. An interim dividend of €0.80 per share was paid on December 18, 2009, representing a total amount of €1,772.7 million.

Subject to approval by the Shareholders' Meeting, this dividend shall be paid from May 10, 2010 and is not recognized as a liability in the accounts at December 31, 2009. The consolidated financial statements at December 31, 2009 are therefore presented before the appropriation of earnings.

Spin-off of 65% of SUEZ Environnement Company in 2008

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.

16.6 Total gains and losses recognized in equity (Group share)

	Dec. 31, 2009	Change	Dec. 31, 2008	Change	Dec. 31, 2007
			(in millions of euros)		
Available-for-sale financial assets	765.3	6.4	758.9	(663.2)	1,422.1
Net investment hedges	94.6	43.6	51.0	55.5	(4.4)
Cash flow hedges (excl. commodity instruments)	(207.1)	58.2	(265.3)	(219.1)	(46.1)
Commodity cash flow hedges	(102.8)	899.1	(1,001.9)	(1,432.3)	430.4
Actuarial gains and losses	(269.3)	150.9	(420.2)	(503.0)	82.8
Deferred taxes	180.9	(364.1)	545.0	778.2	(233.3)
Share of associates in total gains and losses recognized in equity	(83.0)	75.5	(158.5)	(159.2)	0.8
Translation adjustments on items above	(32.3)	7.5	(39.8)	(54.8)	15.0
Sub-Total	**346.3**	**877.1**	**(530.7)**	**(2,198.0)**	**1,667.3**
Translation adjustments on other items	(322.4)	350.9	(673.3)	(529.2)	(144.1)
Total	**24.0**	**1,228.0**	**(1,204.0)**	**(2,727.2)**	**1,523.2**

Translation adjustments recycled to the statement of income for the period were not material.

16.7 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 statement of financial position. 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

	Dec. 31, 2008	Allocations	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjust-ments	Translation adjustments	Other	Dec. 31, 2009
					(in millions of euros)				
Post-employment benefits and other long-term benefits	4,150.8	180.1	(361.6)	(4.7)	(235.8)	210.4	35.6	(111.5)	3,863.2
Nuclear fuel reprocessing and storage	3,425.1	105.3	(21.5)	(1.3)	0.0	170.0	(0.3)	0.0	3,677.3
Dismantling of plant and equipment(a)	3,492.0	7.0	(7.0)	(0.4)	(6.2)	175.1	9.3	(68.1)	3,601.6
Site rehabilitation	1,021.7	32.7	(64.7)	(2.0)	0.0	37.2	18.8	94.0	1,137.7
Other contingencies	2,703.2	514.4	(1,031.7)	(326.8)	36.7	2.2	23.1	(148.3)	1,772.8
Total provisions	**14,792.7**	**839.4**	**(1,486.4)**	**(335.1)**	**(205.3)**	**594.8**	**86.5**	**(234.0)**	**14,052.7**

(a) Of which €2,093.4 million in provisions for dismantling nuclear facilities at December 31, 2009 versus €1,990.6 million at December 31, 2008.

As discussed in note 5, "Income from operating activities", following the decision handed down by the European Commission on July 8, 2009 in the E.ON/GDF SUEZ case, the Group adjusted the amount of the provision that it had set aside for this purpose.

The "Changes in scope of consolidation" column primarily reflects the sale of the Electrabel Net Wallonie business. Pension obligations with respect to distribution personnel were transferred following the sale.

The impact of unwinding discount adjustments in respect of post-employment benefit obligations and other long-term benefits relates to the interest cost on the pension obligations, net of the expected return on plan assets.

For post-employment benefit obligations and other long-term benefits, the "Other" column relates to actuarial gains and losses arising in 2009 and recognized in equity.

Allocations, reversals and the impact of unwinding discounting adjustments are presented as follows in the consolidated income statement:

	Net allocations
	(in millions of euros)
Income from operating activities	(987.4)
Other financial income and expenses	594.8
Income tax expense	5.3
Total	**(387.3)**

The different types of provisions and the calculation principles applied are described hereafter.

17.1 Post-employment benefit obligations and other long-term benefits

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 triennial review of nuclear provisions to the Nuclear Provisions Committee. Its recommendations did not impact core inputs in terms of estimation methods, financial parameters and management scenarios. The changes put forward were aimed at incorporating the latest economic data and detailed technical analyses into the calculations. Synatom is to prepare and submit a new triennial review enabling the Committee to issue recommendations on the existence and adequacy of these provisions by the end of 2010.

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 on this matter which would materially impact the value of the provisions.

The provisions recognized by the Group at December 31, 2009 were calculated taking into account the prevailing contractual and legal framework, which sets the operating life of nuclear reactors at 40 years.

At the end of 2009, an agreement was signed with the Belgian government under which the latter agreed to take the appropriate legal measures to extend the lifespan of three nuclear reactors from 40 to 50 years. These measures require the adoption of new laws or amendment of existing laws, and were not legally binding at December 31, 2009.

Any change in the provision for dismantling nuclear facilities following the extension in the lifespan of the facilities concerned and the consequent change in the timing of payments, is not expected to have a material impact on income in the immediate term, since the matching entry for this change subject to the fulfillment of certain conditions will be an adjustment to the corresponding assets in the same amount.

Provisions for nuclear fuel reprocessing and storage could be adapted if the Group considers that the extended lifespan of certain facilities increases the average unit cost of reprocessing all radioactive spent nuclear fuel over the period the reactors are operated.

In 2010, the Group will consider in depth any impacts this extension may have on provisions for dismantling nuclear facilities and for nuclear fuel reprocessing and storage. These provisions may be adapted in line with the extension of the assets' useful lives, when the relevant bills have been passed and the triennial review has been approved by the Nuclear Provisions Committee, expected to be in the last quarter of 2010.

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 Nuclear Provisions 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 three and four years after the facilities concerned have been shut down, taking into account the currently applicable 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.

A 5% increase or decrease in nuclear dismantling or nuclear fuel reprocessing and storage costs could increase or decrease the corresponding provisions by roughly the same percentage.

Changes arising as a result of the review of the dismantling provision would not have an immediate impact on income, since the matching entry under certain conditions would consist of adjusting the corresponding assets in the same amount.

Sensitivity to discount rates as 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 – some of which may be interdependent – 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 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 the 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 statement of financial position 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.

17.5 Other contingencies

This caption includes provisions for miscellaneous employee-related litigation, environmental risks and various business risks, as well as amounts intended to cover tax disputes, claims and similar contingencies. These are discussed in further detail in note 27, "Legal and anti-trust proceedings".

NOTE 18 POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM BENEFITS

18.1 Description of the main pension plans

The Group's main pension plans are described below.

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 industry 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, SPEM, 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"). 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. 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.

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 CNIEG is now responsible for the measurement of these and other "mutualized" obligations relating to EGI sector companies. The measurement is based on the assumption that employees 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), 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 continue 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, 2009.

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 length-of-service awards 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 length-of-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 was reviewed and the consequences taken into account at December 31, 2006.

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 18% of total pension obligations and related liabilities at December 31, 2009.

Collective agreement applicable to employees of the Brussels headquarters

As part of the reorganization of the activities managed by Electrabel, SUEZ-Tractebel and GDF SUEZ CC, and employee transfers between these companies, the bylaws of Electrabel, SUEZ-Tractebel and GDF SUEZ CC were merged. In accordance with the pension provisions set out in these bylaws, managerial staff ("cadres") are eligible for the defined contribution plan operated by Electrabel for managerial staff recruited after May 1, 1999 (see section 18.1.2), through the consolidation of vested rights on a projected unit credit basis. More than 95% of the employees concerned chose to join this plan, effective as of January 1, 2009.

The transfer of employees to this scheme led to a virtually identical reduction in pension obligations and plan assets, which were transferred to the afore-mentioned defined contribution plan. As a result, the impact on the consolidated income statement was not material.

"Wage-rated" employees along with managerial staff opting not to join the plan continue to receive benefits under their original pension plans. All new recruits will be automatically affiliated to the defined contribution plan.

18.1.3 Other companies

Most other Group companies grant their employees retirement benefits. With regards to the financing, the pension plans are almost equally split between defined benefit and defined contribution plans.

The Group's main pension plans outside France and Belgium concern:

- United States: the UWR defined benefit plan is available to employees of the regulated sector. All US subsidiaries offer their employees a 401(k) type plan;

- Netherlands and Switzerland: employees are affiliated to multi-employer plans;

- United Kingdom: the large majority of defined pension plans are now closed to new entrants and benefits no longer vest under these plans. All entities run a defined contribution scheme;

- Germany: the Group's German subsidiaries have closed their defined benefit plans.

18.1.4 Multi-employer plans

Employees of some Group companies are affiliated to multi-employer pension plans. 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, and also in Switzerland, where subsidiaries are members of the LPP (Occupational Benefits Act) scheme.

Under multi-employer plans, risks are pooled to the extent that the plan is funded by a single contribution rate determined for all affiliate companies and applicable to all employees. The GDF SUEZ Group accounts for multi-employer plans as defined contribution plans in accordance with IAS 19.

None of the plans are indexed to current retirement annuities. Some plans provide for an increase in the contribution rate commensurate with management imperatives in the wake of the financial crisis.

18.2 Description of other post-employment benefit obligations and long-term benefits

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;
- length-of-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 prices known as “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, GDF SUEZ provides gas to all current and former employees of GDF SUEZ and EDF, while EDF supplies these same beneficiaries with electricity. GDF SUEZ pays (or benefits from) the balancing contribution payable in respect of its employees as a result of energy exchanges between the two utilities.

The obligation to provide energy at a reduced price to current and former employees is measured 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 collective agreements

Most other Group companies also grant their staff post-employment benefits (early retirement plans, medical coverage, benefits in kind, etc.) and other long-term benefits such as jubilee and length-of-service awards.

18.3 Defined benefit plans

18.3.1 Change in the amounts presented in the statement of financial position

In accordance with IAS 19, the information presented in the statement of financial position relating to post-employment benefit obligations and other long-term benefits results from the difference between the gross projected benefit obligation, the fair value of plan assets, unrecognized actuarial gains and losses, and any unrecognized past service cost. A provision is recognized in the statement of financial position if this difference is positive (net obligation), and a prepaid benefit cost when the difference is negative.

Changes in provisions for post-employment benefits and other long-term benefits, and prepaid costs recognized in the statement of financial position are as follows:

	Provisions	Assets
	(in millions of euros)	
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)
Periodic 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**
Exchange rate differences	(43.9)	1.1
Changes in scope of consolidation and other	191.5	(27.7)
Actuarial gains and losses	229.6	(51.2)
Periodic pension cost	(413.7)	31.4
Asset ceiling/IFRIC 14	(2.4)	0.0
Contributions/benefits paid	327.4	54.2
Balance at December 31, 2009	**(3,862.3)**	**196.3**

18.3.2 Change in benefit obligations

The Group's projected benefit obligations and plan assets are shown below:

	2009				2008			
	Pension benefit obliga-tions(a)	Other post-employ-ment benefits(b)	Long-term benefits(c)	Total	Pension benefit obliga-tions(a)	Other post-employ-ment benefits(b)	Long-term benefits(c)	Total
	(in millions of euros)							
A - Change in Projected Benefit Obligation								
Projected benefit obligation at January 1	**(5,634.1)**	**(1,705.2)**	**(481.8)**	**(7,821.2)**	**(4,065.8)**	**(474.7)**	**(238.5)**	**(4,778.9)**
Service cost	(194.6)	(22.3)	(31.4)	(248.4)	(152.5)	(16.3)	(22.0)	(190.9)
Interest cost	(298.2)	(82.6)	(22.2)	(403.1)	(262.7)	(54.7)	(17.9)	(335.4)
Contributions paid	(11.7)			(11.7)	(7.8)			(7.8)
Amendments	16.2	(1.8)	(0.1)	14.3	7.1	5.2	0.8	13.1
Acquisitions/disposals of subsidiaries	269.1	64.5	(3.3)	330.3	(1,698.1)	(1,185.9)	(234.4)	(3,118.4)

		2009				2008			
		Pension benefit obliga-tions(a)	**Other post-employ-ment benefits(b)**	**Long-term benefits(c)**	**Total**	**Pension benefit obliga-tions(a)**	**Other post-employ-ment benefits(b)**	**Long-term benefits(c)**	**Total**
					(in millions of euros)				
Curtailments/settlements		54.5	5.7	2.5	62.7	105.0	(1.6)	1.9	105.4
Special terminations		77.9	(2.3)	(0.5)	75.1	4.3	(2.0)		2.4
Actuarial gains and losses		(57.3)	13.3	(3.1)	(47.2)	(24.1)	(22.3)	(2.2)	(48.6)
Benefits paid		383.5	69.2	44.9	497.6	337.7	51.1	31.4	420.2
Other (translation adjustments)		(107.6)	2.5	30.2	(74.9)	122.8	(4.1)	(1.1)	117.6
Projected benefit obligation at December 31	**A**	**(5,502.1)**	**(1,659.1)**	**(464.8)**	**(7,626.1)**	**(5,634.1)**	**(1,705.2)**	**(481.8)**	**(7,821.0)**
B - Change Fair Value of Plan Assets									
Fair value of plan assets at January 1		**3,831.3**	**40.0**	**0.0**	**3,871.4**	**2,452.0**	**46.9**	**0.0**	**2,498.9**
Expected return on plan assets		177.5	2.4		179.9	199.4	3.1		202.5
Actuarial gains and losses		175.7	2.3		178.1	(528.0)	(11.5)		(539.5)
Contributions received		235.0	23.0		257.9	275.8	40.3		316.0
Acquisitions/disposals of subsidiaries		(166.5)			(166.5)	1,856.5			1,856.5
Settlements		(46.5)	(4.9)		(51.4)	(9.3)			(9.3)
Benefits paid		(346.0)	(22.7)		(368.7)	(330.1)	(40.3)		(370.4)
Other (translation adjustments)		74.0	(1.1)		72.9	(84.8)	1.5		(83.3)
Fair value of plan assets at December 31	**B**	**3,934.3**	**39.0**	**0.0**	**3,973.4**	**3,831.3**	**40.0**	**0.0**	**3,871.3**
C - Funded status	**A+B**	**(1,567.9)**	**(1,620.1)**	**(464.8)**	**(3,652.7)**	**(1,802.7)**	**(1,665.2)**	**(481.8)**	**(3,949.7)**
Unrecognized past service cost		(1.4)	(10.3)		(11.7)	12.3	(14.2)		(1.9)
Asset ceiling*		(1.4)	(1.0)		(2.4)	(10.0)	(0.7)		(10.7)
Net benefit obligation	**A+B**	**(1,570.7)**	**(1,631.4)**	**(464.8)**	**(3,666.8)**	**(1,800.4)**	**(1,680.1)**	**(481.9)**	**(3,962.3)**
Accrued benefit liability		**(1,767.0)**	**(1,631.4)**	**(464.8)**	**(3,863.2)**	**(1,987.3)**	**(1,681.6)**	**(481.9)**	**(4,150.8)**
Prepaid benefit cost		**196.3**			**196.3**	**186.9**	**1.6**		**188.5**

* Including additional provisions set aside on application of IFRIC 14.

(a) Pensions and retirement bonuses.

(b) Healthcare, gratuities and other post-employment benefits.

(c) Length-of-service awards and other long-term benefits.

Changes in the scope of consolidation in 2009 essentially include the impact of the transfer of the obligations towards employees of Net Wallonie (€296 million) as well as the first-time consolidation of various subsidiaries within the Energy Europe & International business line.

Events in 2009 and expert advice confirmed GDF SUEZ SA’s overall analysis of the net impact of the 2008 pension reform and attendant measures. With respect to the funding by the CTA of the impacts of the reform on regulated past specific benefits, the improved analysis led the Group to exclude strictly wage-based measures which would have given rise to a negative overall impact. Consequently, the provision recorded at the end of the previous reporting period is no longer justified and was reversed through non-recurring items (special termination).

18.3.3 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] Reimbursement rights described below are recorded in the statement of financial position under "Other assets".

18.3.3.1 Electrabel reimbursement right

Until 2008, obligations towards employees of Electrabel's distribution business were covered by a reimbursement right granted by the inter-municipal companies. Electrabel made personnel available to the inter-municipal companies for the operation of the networks. All related personnel costs (including pension costs) were billed by Electrabel to the inter-municipal companies based on actual costs. Electrabel's pension obligations regarding these employees were included within liabilities under provisions for pensions and other employee benefit obligations. The matching entry was a reimbursement right in respect of the inter-municipal companies for a similar amount. As this activity was sold at the beginning of 2009, this reimbursement right no longer exists.

Changes in the fair value of Electrabel's reimbursement right in 2009 are shown below:

	2009	2008
	(in millions of euros)	
Fair value at January 1	**296**	**310**
Changes in the scope of consolidation	(296)	
Actuarial gains and losses		40
Net proceeds for the year		(14)
Contributions paid		(40)
Fair value at December 31	**0**	**296**

18.3.3.2 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 statement of financial position. This operation had no impact on the consolidated income statement.

Changes in the fair value of the reimbursement rights relating to Contassur during 2009 are summarized below:

	2009	2008
	(in millions of euros)	
Fair value at January 1	**147.2**	**179.3**
Expected return on plan assets	8.0	8.6
Actuarial gains and losses	16.9	(33.7)
Actual return	24.9	(25.0)
Employer contributions	19.9	12.2
Employee contributions	2.1	2.7
Acquisitions/disposals excluding business combinations	(20.4)	(6.6)
Benefits paid	(30.5)	(15.4)
Fair value at December 31	**143.1**	**147.2**

18.3.4 Actuarial gains and losses recognized in equity

Actuarial gains recognized in equity amounted to €376 million at December 31, 2009 compared to €554 million at end-2008.

	2009	2008
	(in millions of euros)	
At January 1	**554.1**	**(85.9)**

[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.

	2009	2008
	(in millions of euros)	
Actuarial (gains)/losses generated during the year	(178.4)	640.0
At December 31	**375.7**	**554.1**

Actuarial gains and losses presented in the above table include translation adjustments, including those recorded on equity-accounted associates.

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, 2009 and 2008 breaks down as follows:

	2009	2008
	(in millions of euros)	
Current service cost	248.3	190.8
Interest cost	403.0	335.3
Expected return on plan assets	(179.9)	(202.5)
Actuarial gains and losses*	3.1	2.2
Past service cost	(2.8)	(31.2)
Gains or losses on pension plan curtailments, terminations and settlements	(14.3)	(91.7)
Special terminations	(75.1)	8.4
Total	**382.3**	**211.3**
o/w recorded in current operating income	159.2	78.5
o/w recorded in net financial income/(loss)	223.1	132.8

* On long-term benefits.

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 obligation
Underfunded plans	(4,094.1)	2,054.9	(19.7)	(0.9)	(2,059.9)
Overfunded plans	(1,728.6)	1,918.5	(2.4)	(1.4)	186.1
Unfunded plans	(1,803.4)		10.3		(1,793.1)
Total at December 31, 2009	**(7,626.1)**	**3,973.4**	**(11.8)**	**(2.3)**	**(3,666.8)**
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)**

* Including additional provisions set aside on application of IFRIC 14.

The allocation of plan assets by principal asset category can be analyzed as follows:

	2009	2008
Equities	29%	26%
Bonds	50%	47%
Real estate	3%	3%
Other (including money market securities)	19%	24%
Total	**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		Long-term benefit obligations		Total benefit obligations	
	2009	2008	2009	2008	2009	2008	2009	2008
Discount rate*	4.9%	5.2%	4.9%	5.2%	4.9%	5.2%	4.9%	5.2%
Estimated future increase in salaries	3.7%	3.5%	3.5%	3.5%	3.8%	3.5%	3.7%	3.5%
Expected return on plan assets	6.2%	6.9%	6.2%	6.4%	NA	6.4%	6.2%	6.8%
Average remaining working lives of participating employees	14 years	13 years	14 years	13 years	14 years	13 years	14 years	13 years

* Euro zone.

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.

According to the Group’s estimates, a 1% increase or decrease in the discount rate would result in a change of approximately 9.8% 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 value of plan assets relating to the Group's Belgian entities in 2009 was measured based on a 5% return on plan assets managed by Group insurance companies and a 13.2% return on assets managed by pension funds.

The return on plan assets for companies eligible for the EGI pension scheme was 9% in 2009.

According to the Group's estimates, a 1% increase or decrease in the expected return on plan assets would result in a change of approximately 9.2% in the value of plan assets.

18.3.7.3 Other assumptions

The rate of increase in medical costs (including inflation) was estimated at 3.0%.

A one percentage point change in the assumed increase in healthcare costs would have the following impacts:

	One point increase	One point decrease
	(in millions of euros)	
Impact on expenses	4.2	(3.3)
Impact on pension obligations	45.4	(37.7)

18.3.8 Experience adjustments

The breakdown of experience adjustments giving rise to actuarial gains and losses is as follows:

	2009		2008		2007		2006	
	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
	(in millions of euros)							
Projected benefit obligation at December 31	(5,502.1)	(2,123.9)	(5,634.0)	(2,187.0)	(4,065.8)	(713.1)	(4,412.9)	(804.2)
Fair value of plan assets	3,934.3	39.0	3,831.3	40.0	2,452.0	46.9	2,406.4	46.9
Surplus/deficit	(1,567.8)	(2,084.9)	(1,802.7)	(2,147.0)	(1,613.8)	(666.2)	(2,006.5)	(757.3)
Experience adjustments to projected benefit obligation	(5.4)	(14.7)	(95.0)	12.0	(11.9)	(61.7)	59.2	(4.1)
• as a % of the total	0%	1%	2%	- 1%	0%	9%	- 1%	1%
Experience adjustments to fair value of plan assets	175.7	2.3	528.0	11.5	(9.0)	1.2	(19.1)	1.2
• as a % of the total	4%	6%	14%	29%	0%	3%	- 1%	3%

18.3.9 Geographical breakdown of net obligations

In 2009, the geographical breakdown of the main obligations and actuarial assumptions (including inflation) were as follows:

	Eurozone			UK			US			Rest of the world		
	Pension benefit obliga-tions	Other benefit obliga-tions	Long-term benefit obliga-tions	Pension benefit oblig-ations	Other benefit obliga-tions	Long-term benefit obliga-tions	Pension benefit obliga-tions	Other benefit obliga-tions	Long-term benefit obliga-tions	Pension benefit obligat-ions	Other benefit obliga-tions	Long-term benefit obliga-tions
	(in millions of euros)											
Net benefit obligations	(1,259)	(1,533)	(445)	(16)			(71)	(39)		(222)	(48)	(19)
Discount rate	4.8%	4.9%	4.7%	5.9%			5.9%	6.2%		8.1%	2.8%	3.4%
Estimated future increase in salaries	3.2%	2.4%	2.8%	4.4%			3.1%	3.1%		6.8%	4.0%	3.6%
Expected return on≈plan assets	5.7%	3.8%		6.5%			8.5%	8.5%		9.0%	5.2%	
Average remaining working lives of participating employees (years)	15	15	14	11			13	15		12	12	8

18.3.10 Payments due in 2010

The Group expects to pay around €101 million in contributions into its defined benefit plans in 2010, as well as €59 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.

18.4 Defined contribution plans

In 2009, the Group recorded a €93.5 million charge in respect of amounts paid into Group defined contribution plans (€112.8 million in 2008).

These contributions are recorded under “Personnel costs” in the consolidated income statement.

NOTE 19 EXPLORATION & PRODUCTION ACTIVITIES

19.1 Exploration & Production assets

Exploration & Production assets include the following items:

	Licenses	Assets in development phase	Assets in production phase	Total
	(in millions of euros)			
A. Gross amount				
At December 31, 2007	**0.0**	**0.0**	**0.0**	**0.0**
Changes in scope of consolidation	171.8	319.7	5,196.4	5,687.9
Acquisitions	186.3	543.2	750.6	1,480.1
Disposals			(63.2)	(63.2)
Translation adjustments	(15.4)	(119.2)	(382.6)	(517.2)
Other	61.1	(25.4)	(45.8)	(10.1)

	Licenses	Assets in development phase	Assets in production phase	Total
		(in millions of euros)		
At December 31, 2008	**403.8**	**718.3**	**5,455.4**	**6,577.5**
Changes in scope of consolidation				
Acquisitions	378.8	573.7	179.9	1,132.5
Disposals	(88.3)		(1.1)	(89.4)
Translation adjustments	2.2	121.0	184.0	307.1
Other	81.8	6.9	8.8	97.6
At December 31, 2009	**778.4**	**1,419.9**	**5,827.0**	**8,025.3**
B. Accumulated amortization, depreciation and impairment				
At December 31, 2007	**0.0**	**0.0**	**0.0**	**0.0**
Changes in scope of consolidation				0.0
Disposals			14.5	14.5
Amortization, depreciation and impairment	(42.5)		(372.2)	(414.7)
Translation adjustments	5.6		164.6	170.2
Other				0.0
At December 31, 2008	**(36.9)**	**0.0**	**(193.1)**	**(230.0)**
Changes in scope of consolidation				
Disposals	4.4			4.4
Amortization, depreciation and impairment	(182.5)		(701.0)	(883.5)
Translation adjustments	2.5	(0.2)	(15.8)	(13.5)
Other	(49.4)	(3.7)	(141.4)	(194.6)
At December 31, 2009	**(262.0)**	**(3.9)**	**(1,051.3)**	**(1,317.2)**
C. Carrying amount				
At December 31, 2007	**0.0**	**0.0**	**0.0**	**0.0**
At December 31, 2008	**366.9**	**718.3**	**5,262.3**	**6,347.5**
At December 31, 2009	**516.4**	**1,415.9**	**4,775.7**	**6,708.1**

Acquisitions in 2009 include mainly licenses in Indonesia (€101 million) and Algeria (€104 million), as well as assets in development phase in Norway (€484 million).

Impairment during the period mainly relates to licenses in the Gulf of Mexico and in Libya.

19.2 Capitalized exploration costs

The following table provides a breakdown of the net change in capitalized exploration costs:

	2009	2008
At January 1	**275.0**	
Changes in scope of consolidation		206.0
Capitalized exploration costs for the year	121.0	163.0
Amounts previously capitalized and expensed during the year	(79.9)	(53.0)
Amount transferred to assets in development phase	(240.9)	(41.0)
Other		
At December 31	**75.2**	**275.0**

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 categories depending on the type of asset concerned.

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, 2009		Future minimum lease payments at Dec. 31, 2008	
	Undiscounted value	Present value	Undiscounted value	Present value
	(in millions of euros)			
Year 1	184.8	178.6	240.3	227.0
Years 2 to 5 inclusive	638.0	578.9	803.5	706.6
Beyond year 5	771.0	470.0	913.6	485.8
Total future minimum lease payments	**1,593.8**	**1,227.5**	**1,957.3**	**1,419.5**

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:

	Total	Year 1	Years 2 to 5 inclusive	Beyond year 5
	(in millions of euros)			
Liabilities under finance leases	1,397.7	156.4	540.7	700.6
Impact of discounting future repayments of principal and interest	196.1	28.4	97.4	70.4
Undiscounted future minimum lease payments	**1,593.8**	**184.8**	**638.0**	**771.0**

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, Lanxess (Belgium), Bowin (Thailand) and Air Products (Netherlands) in relation to co-generation plants. It has also recognized finance lease receivables on the sale of transmission capacities in Mexico.

	Dec. 31, 2009	Dec. 31, 2008
	(in millions of euros)	
Undiscounted future minimum lease payments	671.7	628.5
Unguaranteed residual value accruing to the lessor	28.0	27.5
Total gross investment in the lease	**699.7**	**656.0**
Unearned financial income	**129.1**	**125.9**
Net investment in the lease	**570.6**	**530.2**
• o/w present value of future minimum lease payments	556.4	518.6
• o/w present value of unguaranteed residual value	14.2	11.6

Amounts recognized in the statement of financial position in connection with finance leases are detailed in note 14.1.2, "Loans and receivables at amortized cost".

Undiscounted future minimum lease payments receivable under finance leases can be analyzed as follows:

	Dec. 31, 2009	Dec. 31, 2008
	(in millions of euros)	
Year 1	164.7	106.5
Years 2 to 5 inclusive	279.8	283.7
Beyond year 5	227.3	238.3
Total	**671.7**	**628.5**

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 2009 and 2008 can be analyzed as follows:

	Dec. 31, 2009	Dec. 31, 2008
	(in millions of euros)	
Minimum lease payments	(708.3)	(653.6)
Contingent lease payments	(134.5)	(139.9)
Sub-letting income	4.0	20.7
Sub-letting expenses	(102.8)	(99.4)
Other operating lease expenses	(120.0)	(72.7)
Total	**(1,061.7)**	**(944.9)**

Future minimum lease payments under non-cancelable operating leases can be analyzed as follows:

	Dec. 31, 2009	Dec. 31, 2008
	(in millions of euros)	
Year 1	608.4	439.3
Years 2 to 5 inclusive	1,523.4	1,209.6
Beyond year 5	1,736.0	1,077.2
Total	**3,867.8**	**2,726.2**

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, Red Hills and Trigen plants in the United States. Operating lease income for 2009 and 2008 can be analyzed as follows:

	Dec. 31, 2009	Dec. 31, 2008
	(in millions of euros)	
Minimum lease payments	711.5	310.4
Contingent lease payments	0.0	0.0
Total	**711.5**	**310.4**

Future minimum lease payments receivable under non-cancelable operating leases can be analyzed as follows:

	Dec. 31, 2009	Dec. 31, 2008
	(in millions of euros)	
Year 1	480.9	551.4
Years 2 to 5 inclusive	1,880.5	2,002.2
Beyond year 5	2,112.9	2,186.9
Total	**4,474.2**	**4,740.5**

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 expenditure to be made by the concession operator.

In consideration of these obligations, GDF SUEZ is entitled to bill either the local authority granting 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 with 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 also 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 of Ecology, Energy, Sustainable Development and Sea, 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, which were indexed on July 1, 2009 pursuant to the Ministerial decree of June 24, 2009. 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. Pipelines 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 income tax).

NOTE 23 CASH FLOWS

23.1 Reconciliation with income tax expense in the consolidated income statement

	Tax cash flows (income tax expense)	
Total impact in the statement of cash flows.	**Dec. 31, 2009**	**Dec. 31, 2008**
	(in millions of euros)	
Impact in the income statement	**(1,719.3)**	**(911.9)**
• provisions for income taxes	5.3	58.4
• deferred tax	79.4	41.8
• other(1)	258.0	(994.6)
Impact in the statement of cash flows	**(1,376.6)**	**(1,806.3)**

(1) 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 were recovered in 2009 on settlement of the effective amount of income tax payable for 2008.

23.2 Reconciliation with net financial income/(loss) in the consolidated income statement

	Financial cash flows (net financial income/loss)	
	2009	**2008**
	(in millions of euros)	
Impact in the income statement	**(1,627.6)**	**(1,494.1)**
Changes in amortized cost	388.8	62.4
Foreign currency translation and changes in fair value	(159.0)	129.8
Unwinding of discounting adjustments to provisions	601.4	489.0
Other	(7.1)	(0.7)
Impact in the statement of cash flows adjusted for changes in the statement of financial position	**(803.4)**	**(813.7)**
Breakdown of the impact in the statement of cash flows		
Interest received on non-current financial assets	79.7	129.9

	Financial cash flows (net financial income/loss)	
	2009	2008
	(in millions of euros)	
Dividends received on non-current financial assets	234.6	219.6
Interest paid	(1,293.4)	(1,482.6)
Interest received on cash and cash equivalents	148.9	260.7
Change in financial assets at fair value through income	(993.2)	517.8
Total impact in the statement of cash flows	**(1,823.3)**	**(354.6)**
Change in the statement of financial position of financial assets at fair value	1,019.8	(459.1)
Impact in the statement of cash flows adjusted for changes in the statement of financial position	**(803.4)**	**(813.7)**

NOTE 24 SHARE-BASED PAYMENT

Expenses recognized in respect of share-based payment break down as follows:

		Expense for the year	
	Notes	2009	2008
Stock option plans	24.1	58.2	54.6
Employee share issues	24.2	—	—
Share Appreciation Rights*	24.2	10.5	15.5
Bonus/performance share plans	24.3	148.6	114.6
Exceptional bonus	24.4	3.7	5.5
Total		**221.0**	**190.2**

* Set up within the scope of employee 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 fostering 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 2009.

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.

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 executive managers and in the enhanced conditional system for members of the Group's Executive Committee. Details of the various plans are provided in previous reference documents. 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 were lowered as a result of the merger with Gaz de France in 2008 by applying a coefficient of 0.80.

At the Group’s Shareholders’ Meeting in 2009, members of the Executive Committee announced their joint decision to waive any stock option grants for 2009. However, they reiterated their commitment to long-term performance-based incentive strategies. In this respect, the Group’s Board of Directors resolved to grant 5.2 million new stock purchase options on November 10, 2009. For 700 executive managers, half of the options awarded are subject to a performance condition. This condition states that the options may be exercised if, at the end of the lock-up period, the GDF SUEZ share price is equal to or higher than the exercise price, adjusted to reflect the performance of the Eurostoxx Utilities index over the period from Monday November 9, 2009 to Friday November 8, 2013 inclusive.

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.

24.1.2 Details of stock option plans in force

Plan	Date of authorizing AGM	Vesting date	Adjusted exercise price	Number of beneficia-ries per plan	Outstanding options at Dec. 31, 2008	Number of shares to be subscribed by the Executive Committee**	Options exer-cised***	Options canceled	Outstanding options at Dec. 31, 2009	Expiration date	Residual life
11/28/2000*	5/5/2000	11/28/2004	32.38	1,347	3,075,557	1,193,708		50,326	3,025,231	11/28/2010	0.9
12/21/2000*	5/5/2000	12/21/2004	33.66	510	1,144,733	153,516		83,313	1,061,420	12/20/2010	1.0
11/28/2001*	5/4/2001	11/28/2005	30.70	3,161	5,916,989	1,784,447		215,527	5,701,462	11/27/2011	1.9
11/20/2002*	5/4/2001	11/20/2006	15.71	2,528	2,128,451	1,327,819	171,375	43,229	1,913,847	11/19/2012	2.9
11/19/2003*	5/4/2001	11/19/2007	12.39	2,069	2,304,696	1,337,540	337,080	3,378	1,964,238	11/18/2011	1.9
11/17/2004*	4/27/2004	11/17/2008	16.84	2,229	7,409,339	1,320,908	1,212,909	17,762	6,178,668	11/16/2012	2.9
12/9/2005*	4/27/2004	12/9/2009	22.79	2,251	6,667,087	1,352,000	213,065	63,034	6,390,988	12/9/2013	3.9
1/17/2007	4/27/2004	1/16/2011	36.62	2,190	5,904,060	1,218,000	0	72,447	5,831,613	1/16/2015	5.0
11/14/2007	5/4/2007	11/13/2011	41.78	2,104	4,616,838	804,000	0	64,827	4,552,011	11/13/2015	5.9
11/12/2008	7/16/2008	11/12/2012	32.74	3,753	7,645,990	2,615,000		1,207,050	6,438,940	11/11/2016	6.9
11/10/2009	05/04/2009	11/10/2013	29.44	4,036		0			5,240,854	11/09/2017	7.9
Total					**46,813,740**	**13,106,938**	**1,934,429**	**1,820,893**	**48,299,272**		

* 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.

24.1.3 Number of stock options

	Options	Average exercise price
Balance at December 31, 2008	**46,813,740**	**27.71**
Granted	5,240,854	29.44
Exercised	(1,934,429)	16.62
Canceled	(1,820,893)	32.07
Balance at December 31, 2009	**48,299,272**	**28.61**

The average price of the GDF SUEZ share in 2009 was €28.09.

24.1.4 Fair value of stock option plans in force

Stock option plans are mainly valued using a binomial model drawing on the following assumptions:

	2009 plan(d)	2008 plan	November 2007 plan	January 2007 plan	2005 plan	2004 plan
Volatility(a)	32.41%	35.16%	33.71%	32.87%	31.25%	29.66%
Risk-free rate(b)	3.13%	3.63%	4.03%	4.00%	3.25%	3.70%
In euros						
Dividend(c)	1.6	1.39	1.34	1.2	0.8	0.8
Fair value of options at the grant date	6.27	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.

(d) Options without performance conditions only.

In 2009, the fair value of stock options subject to market-based performance conditions was €5.41 per option, calculated using Monte Carlo simulations. Eurostoxx Utilities assumptions used as the basis for the performance condition were defined based on the historical performance of the index over an eight-year period, which mirrors the term of the options:

- correlation between the GDF SUEZ share and the Eurostoxx Utilities index: 77.3%;
- volatility of the Eurostoxx Utilities index: 18.71%.

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 2009	2008
	(in millions of euros)	
11/17/2004		7.9
12/09/2005	10.4	11.2
01/17/2007	16.5	17.1
11/14/2007	15.7	15.9
11/12/2008	14.3	2.5
11/10/2009	1.1	
12/17/2009	0.1	
Total	**58.2**	**54.6**

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 since 2007 (as replacement for stock options) does not have a material impact on the Group's consolidated financial statements.

24.2 Employee share issues

24.2.1 Description of plans available

Employees were previously entitled to subscribe to share issues under SUEZ Group corporate savings plans. They may subscribe to either:

- The Spring Classique plan: this plan allows employees to subscribe to shares either directly or via an employee investment fund at lower-than-market price; 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 Group share price (leverage effect) at the end of the mandatory lock-up period; or
- 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 2009.

The accounting impact of 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, 2009, the fair value of the liability related to the 2005 and 2007 awards amounted to €12.5 million. The Spring 2004 plan matured on December 29, 2009, resulting in the exercise of 112,313 warrants for an amount of €16.4 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 €10.5 million.

24.3 Performance bonus share plans

24.3.1 Bonus share policy in 2009

As part of a global financial incentive scheme implemented in 2007 to involve employees more closely in the Group's performance, each employee received bonus shares in 2007 and 2008, subject to certain performance conditions. As the scheme covers a period of three years, the Board of Directors' meeting of July 8, 2009 resolved to award a further 20 bonus shares to each employee for 2009, also subject to certain conditions. At the same time, the Board of Directors of SUEZ Environnement Company decided to award 30 bonus shares to each of its employees, in addition to the GDF SUEZ plan under which SUEZ Environnement employees will also receive eight bonus GDF SUEZ shares.

The Board of Directors' meeting of November 10, 2009 awarded 1,693,840 performance shares, subject to a vesting period of two or four years depending on the country concerned.

Performance shares are awarded on the basis of several conditions:

- presence in the Group (except in the event of retirement, death or disability);
- a performance condition related to Group EBITDA;
- a mandatory holding period of two or three years as from the final vesting date (March 15, 2012) in certain countries.

24.3.2 Details of bonus share plans in force

Grant date	Number of shares awarded**	Fair value per share
February 2007 plan (SUEZ)	989,559	36.0
June 2007 plan (GDF)	1,539,009	33.4
July 2007 plan (SUEZ)	2,175,000	37.8*
August 2007 plan (SUEZ)	193,686	32.1
November 2007 plan (SUEZ)	1,244,979	42.4
May 2008 plan (GDF)	1,586,906	40.3
June 2008 plan (SUEZ)	2,372,941	39.0
November 2008 plan (GDF SUEZ)	1,812,548	28.5*
July 2009 plan (GDF SUEZ)	3,297,014	19.7*
July 2009 plan (SUEZ Environnement)	2,040,810	9.6*
November 2009 plan (GDF SUEZ)	1,693,840	24.8*
December 2009 plan (SUEZ Environnement)	173,852	12.3*
Balance at December 31, 2009	**19,120,144**	**29.5**

* Weighted average.

** Number of shares awarded after adjustments relating to the merger with Gaz de France in 2008.

24.3.3 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 vesting period, and (ii) the cost of the non-transferability restriction applicable to the shares.

In accordance with the recommendation of the French National Accounting Board (*Conseil National de la Comptabilité* – CNC), the cost of the non-transferability restriction for the employee is assessed assuming a situation in which the employee sells the share at the end of the mandatory holding period and borrows the amount required to immediately purchase an ordinary share, financing the loan by a forward sale and by any dividends paid during such holding period.

For awards made in 2009, the discount applied to reflect the cost of the restriction for the employee is calculated based on an average rate of 6.4% and represents €4.8 million to be amortized over the vesting period. A 0.5% rise or fall in the borrowing rate would have an impact of €1.0 million on this discount.

The cost of the plan is recognized in personnel costs on a straight-line basis between the grant date and the 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.

24.3.4 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 2009	Expense for the year 2008
	(in millions of euros)	
February 2006 plan (SUEZ)	0.0	1.7
February 2007 plan (SUEZ)	3.2	15.8
June 2007 plan (GDF)	8.2	12.8
July 2007 plan (SUEZ)	18.9	27.8
August 2007 plan (SUEZ)	1.1	1.1
November 2007 plan (SUEZ)	20.4	20.4
May 2008 plan (GDF)	29.4	14.8
June 2008 plan (SUEZ)	30.3	17.6
November 2008 plan (GDF SUEZ)	19.1	2.6
July 2009 plan (GDF SUEZ)	12.3	
July 2009 plan (SUEZ Environnement)	3.4	
November 2009 plan (GDF SUEZ)	2.2	
December 2009 plan (SUEZ Environnement)	0.0	
Total	**148.6**	**114.6**

24.4 SUEZ exceptional bonus

In November 2006, SUEZ 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 special 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 were eligible for this bonus at December 31, 2009.

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, 2009, the corresponding expense amounted to €3.7 million. The estimated fair value of the liability upon expiration of the plan is €22.5 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 29. Only material transactions are described below.

25.1 Relations with the French State and with entities owned or partly owned by the French State

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 35.88% of GDF SUEZ and holds 7 out of 24 seats on its Board of Directors.

The French State holds a golden share aimed at protecting France's critical interests and ensuring the continuity and safeguarding of supplies in the energy sector. The golden share is granted to the French State indefinitely and entitles it to veto decisions taken by GDF SUEZ if it considers they could harm France's interests.

Public service engagements in the energy sector are defined by the law of January 3, 2003.

They are implemented by means of a new public service contract dated December 23, 2009, which sets out the Group's public service obligations and the conditions for rate regulation in France:

- as part of its public service obligations, the Group is reinforcing its commitments in terms of the protection of goods and individuals, solidarity and assistance to low-income customers, sustainable development and research;
- regarding the conditions for rate regulation in France, a decree was published in connection with the contract redefining the overall regulatory framework for setting and changing natural gas rates in France, along with a ministerial order specifying the rate-changing mechanism for 2010. The mechanism as a whole provides clearer direction on the conditions for changing regulated rates, notably through rate change forecasts based on costs incurred. It also establishes rules and responsibilities for the various players over the period 2010-2013.

25.1.2 Relations with EDF

Following the creation on July 1, 2004 of the French gas and electricity distribution network operator (EDF Gaz de France Distribution), Gaz de France and EDF entered into an agreement on April 18, 2005 setting out their relationship as regards the distribution business. The December 7, 2006 law on the energy sector reorganized the natural gas and electricity distribution networks. ERDF SA, a subsidiary of EDF SA, and GRDF SA, a subsidiary of GDF SUEZ SA, were created on January 1, 2007 and January 1, 2008, respectively, and act in accordance with the agreement previously signed by the two incumbent operators.

25.2 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.

25.3 Transactions with joint-ventures and associates

25.3.1 Joint ventures

Gaselys

Gaselys was fully consolidated with effect from January 1, 2009. Accordingly, this note does not include any comments on transactions carried out with Gaselys in 2009.

Gaselys is a trading company on gas and electricity markets in Europe, 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 December 31, 2008, the Group's statement of financial position showed a net debit balance of €344 million with its subsidiary, comprising trade receivables and payables, margin calls and derivative instruments. These derivatives were mainly contracted to manage the risks to which the Group is exposed, and resulted 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.

EFOG (United Kingdom)

GDF SUEZ has an interest of 22.5% in EFOG.

The Group purchased gas for €225.7 million from EFOG in 2009 (€442.1 million in 2008).

The Group has also granted EFOG cash advances. The outstanding amount of these advances totaled €101.3 million at December 31, 2009 and €134.6 million at December 31, 2008.

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 €60.9 million in 2009, compared with €206.9 million in 2008.

GDF SUEZ has also granted loans to the Acea-Electrabel group, in respect of which €345.3 million remained outstanding at December 31, 2009 versus €389.4 million at end-2008.

25.3.2 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 €131.0 million in 2009 and €125.1 million in 2008.

The Group rendered services to ESO/Elia for a total amount of €111.5 million in 2009 and €80.0 million in 2008.

At December 31, 2009, outstanding loans granted to Elia totaled €453.4 million (€808.4 million at December 31, 2008). A total of €354.8 million of these loans was repaid in 2009. The remaining balance of €453.6 million falls due after 2011. The loan generated interest income of €23.2 million in 2009 versus €48.4 million in 2008.

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 €1,985.3 million in 2009, compared with €1,777.5 million in 2008.

Until February 6, 2009, inter-municipal companies in the Walloon region did not have any employees. On that date, ORES, a company providing personnel to the Walloon inter-municipal companies, was sold to those companies. Amounts billed with respect to this arrangement in 2009 totaled €27.7 million, versus €402.5 million in 2008.

Receivables relating to gas and electricity supply stood at €27.5 million at December 31, 2009, versus €10.1 million at December 31, 2008.

The amounts due by Electrabel and Electrabel Customer Solutions to the inter-municipal companies at December 31, 2008 (€15.3 million) were repaid in 2009.

At December 31, 2009, Electrabel had granted cash advances to the inter-municipal companies totaling €135.3 million (€317.9 million at December 31, 2008). Amounts due to the inter-municipal companies by Electrabel at December 31, 2008 (€263.6 million) had been repaid in full at December 31, 2009.

In 2008, Electrabel held a reimbursement right in respect of the Walloon inter-municipal companies. The amounts, which correspond to sums provisioned in Electrabel's accounts, totaled €296.5 million at December 31, 2008. The obligation relating to the reimbursement right was cancelled following the disposal of ORES.

Contassur

Contassur is 15%-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 statement of financial position for €143.1 million at December 31, 2009 and €147.2 million at December 31, 2008.

NOTE 26 EXECUTIVE COMPENSATION

The Group's key management personnel comprise the members of the Executive Committee and Board of Directors. Their compensation breaks down as follows:

	2009	2008
	(in milllions of euros)	
Short-term benefits	31.9	23.0
Post-employment benefits	3.8	4.0
Share-based payment	10.9	11.5
Total	**46.6**	**38.5**

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. Consequently, they do not include compensation paid to the members of the Executive Committee of Gaz de France up to the date of the merger.

NOTE 27 LEGAL AND ANTI-TRUST PROCEEDINGS

The legal and arbitration proceedings presented hereafter are recognized as liabilities or are presented for information purposes. The Group has not identified any material contingent liabilities other than the disputes discussed below that would be likely to result in an outflow of resources for the Group.

The Group is party to a number of legal and anti-trust 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 end of the reporting period 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 proceedings totaled €481 million at December 31, 2009 (€1,280.5 million at December 31, 2008).

27.1 Legal proceedings

27.1.1 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 on March 21, 2006.

Following the investigation, GDF SUEZ (formerly Gaz de France), which contested neither its criminal liability, nor the cause of the explosion, was summoned before the Mulhouse Criminal Court by order dated

November 7, 2008, on charges of involuntary manslaughter and injuries, as well as involuntary destruction of property by fire or explosion. The hearings took place between March 9 and March 19, 2009.

On June 8, 2009, GDF SUEZ was sentenced to a fine of €225,000 for involuntary manslaughter and of €7,500 for involuntary injuries and to publication obligation. GDF SUEZ did not appeal this sentence.

27.1.2 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.

Fluxys (in which GDF SUEZ sold its controlling interest to Publigas in September 2008) was 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. In a decision handed down on February 22, 2010, the criminal court of Tournai acquitted Fluxys of all charges. The public prosecutor is planning to lodge and appeal.

27.1.3 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 16 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 the hired footbridges leading from the dock to the liner.

By decision of February 11, 2008, 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 took place from March 23 to April 3, 2009. By a judgment handed down on July 2, 2009, the Rennes Court of Appeal confirmed the court's decision in that it ordered Endel to pay a fine, which it increased to €225,000, and, jointly and severally with Les Chantiers de l'Atlantique, to indemnify the victims. However, it reversed the criminal court's decision to acquit two of the employees involved. Endel and the two employees will not appeal the judgment before the *Cour de Cassation*.

27.1.4 Electrabel – Hungarian state/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. Initially, the dispute mainly concerned (i) electricity prices set in the context of a long-term power purchase agreement (PPA) entered into between the power plant operator Dunamenti (in which Electrabel owns a 74.82% interest) and MVM (a company controlled by the Hungarian state) on October 10, 1995, and (ii) allocations of CO_2 emission allowances in Hungary. Following (i) the decision by the European Commission of June 4, 2008, to classify the long-term PPAs in force at the time of Hungary's accession to the EU (including the agreement between Dunamenti and MVM) as illegal State aid incompatible with the EU Treaty, and (ii) Hungary's subsequent decision to terminate these agreements, Electrabel extended its request for the purpose of obtaining compensation for the harm suffered on the ground of such termination. The European Commission petitioned the arbitration tribunal for amicus curiae participation on August 13, 2008.

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.

27.1.5 Slovak Gas Holding – Slovak Republic

Slovak Gas Holding ("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.

SGH has taken preliminary steps towards international arbitration proceedings against the Slovak state for breach of obligations under (i) the Bilateral Treaty entered into by the Slovak Republic with the Czech Republic on the one hand and the Netherlands on the other hand (the "Bilateral Treaty"), and (ii) the Energy Charter Treaty.

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 between the parties are still ongoing.

27.1.6 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 state 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 initially expected in 2009 should be made public soon.

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. These proceedings are still ongoing.

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 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.

For the record, prior to the merger of SUEZ and Gaz de France and the stock market listing of SUEZ Environnement, SUEZ and SUEZ Environnement entered into an agreement 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.

27.1.7 Togo Electricité

In February 2006, the Togolese state took possession of all of the assets of Togo Électricité, without indemnification. It instituted several proceedings, including proceedings instituted first against Togo Électricité, a GDF SUEZ (Energy Services) company, then subsequently against GDF SUEZ, 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.

In March 2006, Togo Électricité instituted arbitration proceedings, which were joined by GDF SUEZ, before the International Centre for Settlement of Investment Disputes against the Togolese state, following the adoption of governmental decrees which terminated the concession contract held by Togo Électricité since December 2000 for the management of Togo's public power supply service.

The hearings of the arbitration Tribunal took place in July 2009 and an award could be rendered soon.

27.1.8 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 prefectural order. These two orders have been challenged in court.

Two actions for annulment of the building permit were filed with the Administrative Court of Marseille, one by the Fos-sur-Mer authorities and the other by the Syndicat d'agglomération nouvelle (SAN). These actions were dismissed by the Court on October 18, 2007. The Fos-sur-Mer municipality appealed this decision on December 20, 2007. It withdrew from the proceedings on January 11, 2010.

The order authorizing the operation of the terminal 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.

The Administrative Court of Marseille cancelled the prefectural order authorizing the operation of the Fos Cavaou terminal on June 29, 2009. Elengy, which represents the rights of GDF SUEZ in these proceedings, filed an appeal on July 9, 2009 and prepared a new application for authorization to operate the terminal. The appeal is pending.

A provisional operating permit was enacted on October 6, 2009, which allows for the building work to continue and for the terminal to be partially operated, subject to specific regulations.

27.1.9 United Water

A claim for compensatory damages of US$66 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 alleged 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. The claim for damages was dismissed on December 21, 2009 and the residents have appealed this decision.

27.1.10 Squeeze-out bid for 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.

Deminor and others appealed the decision before the Court of Cassation on May 22, 2009. These appeal proceedings are still ongoing.

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 was reserved. A new hearing was scheduled for September 22, 2009. By decision handed down on December 24, 2009, the Court dismissed Geenen's appeal on procedural grounds.

27.1.11 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 against this claim. As the Belgian tax authorities had still not taken a decision ten years after the claim, an appeal was lodged with the Court of First Instance of the European Communities in December 2009.

The Special Inspection Department taxed financial income generated in Luxembourg by the Luxembourg-based cash management branches of Electrabel and SUEZ-Tractebel. This financial income, which was already taxed in Luxembourg, is exempt in Belgium in accordance with the Belgium-Luxembourg convention for the prevention of double taxation. The Special Inspection Department refuses this exemption. The tax assessed in Belgium amounts to €177 million for the period 2003 to 2006. The Group has challenged the Special Inspection Department's decision before the Court of First Instance of the European Communities.

27.1.12 Objection to a provision of Belgian tax law

On March 23, 2009, Electrabel filed an appeal with Belgium's constitutional court against the €250 million tax on nuclear power generators imposed by the December 22, 2008 act (*Loi-programme*). The December 23, 2009 act has imposed the same tax in respect of 2009.

27.1.13 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 by SUEZ of a tax receivable in 2005 for an amount of €995 million. On July 7, 2009, they informed GDF SUEZ that they confirmed their position. GDF SUEZ is waiting to receive the tax assessment notice.

27.1.14 Claim by the US tax authorities (IRS)

GDF SUEZ Energy North America, a GDF SUEZ company, was 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.

In May 2009, a revised adjustment of US$93 million was notified in respect of the same years excluding a US$40 million fine. Meanwhile, a second tax deficiency notice has been issued in which the additional amount of tax claimed has been reduced to US$49 million and the amount of the fine to US$7 million. An appeal has been filed with the IRS Appeal Division.

27.1.15 Cartagena

GDF SUEZ is party to arbitration proceedings lodged by AES Energia Cartagena before the ICC International Court of Arbitration in September 2009 in connection with the Energy Agreement dated April 5, 2002. The agreement provides for the conversion by AES Energia Cartagena of gas supplied by GDF SUEZ into electricity at the combined cycle power plant located in Cartagena, Spain.

The proceedings relate to the question as to which of the parties should assume past and future costs and expenditures arising in connection with the power plant and in particular those relating to CO_2 emissions permits, property taxes and social subsidies.

The arbitration tribunal has been constituted, the parties are exchanging their pleadings and the hearings will take place in London during the week of May 31 to June 4, 2010. The award should be rendered by the end of the year.

27.2 Competition and concentration

27.2.1 "Accès France" proceeding

On May 22, 2008, the European Commission announced its decision to initiate formal proceedings against Gaz de France for a suspected breach of EU rules on abuse of dominant position and restrictive business practices. The proceedings relate to a combination of long-term transport capacity reservation and a network of import agreements, as well as potential underinvestment in transport and import infrastructure capacity. On June 22, 2009, the Commission sent GDF SUEZ, GRTgaz and Elengy a preliminary assessment in which it stated that GDF SUEZ might have abused its dominant position in the gas sector by foreclosing access to gas import capacity in France. On June 24, 2009, GDF SUEZ, GRTgaz and Elengy offered certain commitments in response to the preliminary assessment, while expressing their disagreement with the conclusions it contained.

These commitments were submitted to a market test on July 9, 2009, following which the Commission informed GDF SUEZ, GRTgaz and Elengy of how third parties had responded. On October 21, 2009, GDF SUEZ, GRTgaz and Elengy filed amended commitments aimed at facilitating access to and competition on the French natural gas market. The Commission adopted on December 3, 2009 a decision that renders legally binding these commitments. This decision marks the end of the proceedings initiated in May 2008.

27.2.2 Megal

On June 11, 2008, Gaz de France received a statement of objections from the European Commission in which it voices its suspicions of concerted practice 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 and a hearing took place on October 14, 2008. On July 8, 2009, the Commission fined GDF SUEZ and E.ON €553 million each for agreeing not to compete against each other in their respective gas markets. GDF SUEZ has paid the fine. The Commission considered that these restrictive business practices, which ended in 2005, had begun in 1975 when the agreements relating to the Megal pipeline were signed and GDF SUEZ and E.ON had agreed not to supply gas transported via the Megal pipeline to customers in their respective markets.

GDF SUEZ brought an action for annulment before the General Court of the European Union on September 18, 2009.

27.2.3 Compagnie Nationale du Rhône

On June 10, 2009, the European Commission decided to impose a fine of €20 million on Electrabel, a GDF SUEZ company, for having acquired control of Compagnie Nationale du Rhône (CNR) at the end of 2003, without its prior approval. The decision was handed down further to a statement of objections sent by the Commission on December 17, 2008, to which Electrabel responded in its observations in reply filed on February 16, 2009. On August 20, 2009 Electrabel brought an action for annulment of the Commission’s decision. The Commission’s decision and Electrabel’s application will not affect Electrabel’s acquisition and control of Compagnie Nationale du Rhône, which was approved by the European Commission on April 29, 2009.

27.2.4 Long-term Power Purchase Agreements in Hungary

The European Commission handed down a decision on June 4, 2008, according to which the long-term Power Purchase Agreements entered into between power generators and the Hungarian state, which were in force at the time of Hungary’s accession to the European Union, constituted illegal State aids, incompatible with the EU Treaty. It asked the Hungarian state to review these contracts, recover the related State aids from the power generators and, where necessary, to indemnify the parties to the agreements. The Group is directly concerned as it is party to a long-term Power Purchase Agreement through the intermediary of its subsidiary Dunamenti. The Agreement was entered into with MVM, Hungary’s state-owned power company, on October 10, 1995. Further to the Commission’s decision, the Hungarian government passed a law providing for the termination of the Power Purchase Agreements with effect from December 31, 2008 and the recovery of the related State aid. Discussions are ongoing between the Hungarian state and the European Commission regarding the amount of State aids to be recovered, which must be approved by the Commission. Dunamenti has brought an action with the European Court on April 28, 2009 for annulment of the Commission’s decision.

27.2.5 Investigation on the term of electricity supply contracts in Belgium

In July 2007, the European Commission started an investigation into electricity supply contracts entered into by the Group with industrial customers in Belgium. The investigation is ongoing and Electrabel, a GDF SUEZ subsidiary, is cooperating fully with the Directorate-General for Competition on this matter.

27.2.6 Unwinding of cross-shareholdings between Compagnie Générale des Eaux and Lyonnaise des Eaux France

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. Lyonnaise des Eaux France and Veolia Eau-Compagnie Générale des Eaux complied with the request and entered into an agreement in principle to this effect on December 19, 2008. On July 30, 2009, the Commission authorized the purchase by Veolia Eau of Lyonnaise des Eaux's stake in three of the joint subsidiaries. The Commission authorized the purchase by Lyonnaise des Eaux of the six other joint subsidiaries on August 5, 2009. An amendment to the December 2008 agreement was signed on February 3, 2010, providing for the purchase by Lyonnaise des Eaux of Veolia Eau's stake in two of the three joint subsidiaries that were initially going to be bought out by Veolia Eau.

A further request for authorization, reflecting the terms and conditions of this amendment, was submitted to the European Commission.

The process should be completed during the first half of 2010.

27.2.7 Inquiry into the Belgian electricity wholesale market

In September 2009, the Belgian competition authority (*Autorité Belge de la Concurrence*) organized raids on several companies active in Belgium's electricity wholesale market, including Electrabel, a GDF SUEZ subsidiary.

NOTE 28 SUBSEQUENT EVENTS

28.1 Takeover of Agbar

On October 22 2009, SUEZ Environnement announced its intention to take control of Agbar.

The transaction includes:

- a delisting tender offer in cash launched by Agbar on its own shares, at a price of €20 per share for a total maximum consideration of €299 million. The shares acquired will subsequently be cancelled;
- the acquisition by SUEZ Environnement of Agbar shares held by Criteria, at €20 per share, representing a total consideration of €647 million. This will raise SUEZ Environnement's interest in Agbar to 75%;
- the simultaneous sale by Agbar of its 54.8% stake in Adeslas to Criteria for a consideration of €687 million.

In parallel, Criteria will acquire full control of Adeslas through the acquisition of the 45% stake held by Malakoff Médéric.

On January 12, 2010, Agbar's general meeting resolved by a majority to approve the delisting tender offer and the sale of its stake in Adeslas to Criteria.

These transactions represent the first phase of an agreement between SUEZ Environnement and Criteria.

SUEZ Environnement and Criteria expect the delisting to take place during the first quarter of 2010, and to complete the transaction by the end of that period, subject to the approval of the competent stock market and competition authorities.

NOTE 29 LIST OF THE MAIN CONSOLIDATED COMPANIES AT DECEMBER 31, 2009

The table below is provided for indicative purposes only and only includes the main fully and proportionately consolidated companies in GDF SUEZ scope.

The following abbreviations are used to indicate the consolidation method applied in each case:

- FC: Full consolidation (subsidiaries);
- PC: Proportionate consolidation (joint venture);
- EM: Equity method (associates);
- NC: Not consolidated.

Entities marked with an asterisk (*) form part of the legal entity GDF SUEZ SA.

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**Dec. 2009**	**Dec. 2008**	**Dec. 2009**	**Dec. 2008**	**Dec. 2009**	**Dec. 2008**
Energy France (BEF)							
Compagnie Nationale du Rhone (CNR)	2, rue André Bonin 69004 Lyon – France	49.9	49.9	49.9	49.9	FC	FC
GDF SUEZ SA - Electricity Division*	22, rue du Docteur Lancereaux 75008 Paris – France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ SA - Sales Division*	22, rue du Docteur Lancereaux 75008 Paris – France	100.0	100.0	100.0	100.0	FC	FC
Savelys	5, rue François 1er 75418 Paris – France	100.0	100.0	100.0	100.0	FC	FC

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**Dec. 2009**	**Dec. 2008**	**Dec. 2009**	**Dec. 2008**	**Dec. 2009**	**Dec. 2008**
Energy Benelux & Germany (BEEI)							
Electrabel Nederland NV	Dr. Stolteweg 92, 8025 AZ Zwolle – Netherlands	100.0	100.0	100.0	100.0	FC	FC
Electrabel Nederland Sales BV	Dr. Stolteweg 92, 8025 AZ Zwolle – Netherlands	100.0	100.0	100.0	100.0	FC	FC
Energie Saarlorlux GmbH	Richard Wagner Strasse 14-16, 66111 Saarbruck – Germany	51.0	51.0	51.0	51.0	FC	FC
Electrabel	Boulevard du Regent, 8 – 1000 Brussels – Belgium	100.0	100.0	100.0	100.0	FC	FC
Electrabel Customer Solutions	Boulevard du Regent, 8 – 1000 Brussels – Belgium	95.8	95.8	95.8	95.8	FC	FC
Synatom	Avenue Ariane 7 – 1200 Brussels – Belgium	100.0	100.0	100.0	100.0	FC	FC

		% interest		% control		Consolidation method	
Company name	**Corporate headquarters**	**Dec. 2009**	**Dec. 2008**	**Dec. 2009**	**Dec. 2008**	**Dec. 2009**	**Dec. 2008**
Energy Europe (BEEI)							
Dunamenti	Erömü ut 2, 2442	74.8	74.8	74.8	74.8	FC	FC

Company name	Corporate headquarters	% interest Dec. 2009	% interest Dec. 2008	% control Dec. 2009	% control Dec. 2008	Consolidation method Dec. 2009	Consolidation method Dec. 2008
Energy Europe (BEEI)							
	Szazhalombatta – Hungary						
GDF SUEZ Energia Polska SA	Zawada 26, 28-230 Polaniec – Poland	100.0	100.0	100.0	100.0	FC	FC
Rosignano Energia SPA	Via Piave no. 6 Rosignano Maritimo – Italy	99.5	99.5	99.5	99.5	FC	FC
ACEA Electrabel Group(a)	Piazzale Ostiense, 2, 00100 Rome – Italy	40.6	40.6	40.6	40.6	PC	PC
Tirreno Power SPA	47, Via Barberini, 00187 Rome – Italy	35.0	35.0	35.0	35.0	PC	PC
SC GDF SUEZ Energy România SA	Bld Marasesti, 4-6, sector 4 – Bucharest – Romania	40.8	40.8	40.8	40.8	FC	FC
EGAZ DEGAZ Zrt	Pulcz u. 44 – H 6724 – Szeged – Hungary	99.7	99.7	99.7	99.7	FC	FC
Slovensky Plynarensky Priemysel (SPP)	Mlynské Nivy 44/a – 825 11 – Bratislava – Slovakia	24.5	24.5	24.5	24.5	PC	PC
AES Energia Cartagena S.R.L.	Ctra Nacional 343, P.K. 10 – El Fangal, Valle de Escombreras – 30350 Cartagena – Spain	26.0	26.0	26.0	26.0	FC	FC
GDF SUEZ Energy UK LTD	1 City Walk – LS11 9DX – Leeds – United Kingdom	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ Energia Italia Spa	Via Orazio, 31I – 00193 Rome – Italy	100.0	100.0	100.0	100.0	FC	FC
VENDITE - Italcogim Energie Spa	Via Spadolini, 7 – 20141 Milan – Italy	100.0	60.0	100.0	60.0	FC	FC

(a) Ownership interest in the ACEA/Electrabel holding company.

Company name	Corporate headquarters	% interest Dec. 2009	% interest Dec. 2008	% control Dec. 2009	% control Dec. 2008	Consolidation method Dec. 2009	Consolidation method Dec. 2008
Energy North America (BEEI)							
GDF 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	FC	FC
SUEZ LNG North America	One Liberty Square, Boston, MA 02109 – United States	100.0	100.0	100.0	100.0	FC	FC
GDF 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	FC	FC
GDF 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	FC	FC
Firstlight Power Enterprises	20 Church Street – 16th Floor Hartford, CT 06103 – United States	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
Energy Latin America (BEEI)							

The GDF SUEZ Group holds 50.1% of the voting rights of Energia Sustentavel Do Brasil (EBSR), a company created to develop the Jirau project. Considering the contractual arrangements in place, a large number of strategic management decisions are subject to a 75% majority vote, and EBSR qualifies as being a jointly controlled entity. Accordingly, and even though it holds more than 50% of the voting rights, Energia Sustentavel do Brasil has been proportionately consolidated by the Group.

Company name	Corporate headquarters	% interest Dec. 2009	% interest Dec. 2008	% control Dec. 2009	% control Dec. 2008	Consolidation method Dec. 2009	Consolidation method Dec. 2008
TRACTEBEL Energia (Formerly Gerasul)	Rua Antônio Dib Mussi, 366 Centro, 88015-110 Florianopolis, Santa Catarina – Brazil	68.7	68.7	68.7	68.7	FC	FC
Enersur	Av. República de Panamá 3490, San Isidro, Lima 27 – Peru	61.7	61.7	61.7	61.7	FC	FC
Energia Sustentavel Do Brasil SA	Avenida Almirante Barroso, n° 52, sala 2802, CEP 20031-000 Rio de Janeiro – Brazil	50.1	50.1	50.1	50.1	PC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
Energy Middle East, Asia & Africa (BEEI)							
Glow Energy Public Co. Ltd.	195 Empire Tower, 38th Floor – Park Wing, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 – Thailand	69.1	69.1	69.1	69.1	FC	FC
Baymina Enerji AS	Ankara – Dogal Gaz Santrali, Ankara Eskisehir Yolu 40.Km, Maliöy Mevkii, 06900 Polatki/Ankara – Turkey	95.0	95.0	95.0	95.0	FC	FC
Senoko Power Limited	111 Somerset Road – #05-06, Tripleone Somerset Building – 238164 Singapore	30.0	30.0	30.0	30.0	PC	PC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
Global Gas & LNG (B3G)							
E.F. Oil and Gas Limited	33 Cavendish Square – W1G OPW – London – United Kingdom	22.5	22.5	22.5	22.5	PC	PC
GDF SUEZ E&P UK LTD (GDF Britain)	60, Gray Inn Road – WC1X 8LU – London – United Kingdom	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ E&P Norge AS	Forusbeen 78 – Postboks 242 – 4066 Stavanger – Norway	100.0	100.0	100.0	100.0	FC	FC
GDF Production Nederland BV	Eleanor Rooseveltlaan 3 – 2719 AB Zoetermeer –	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest Dec. 2009	% interest Dec. 2008	% control Dec. 2009	% control Dec. 2008	Consolidation method Dec. 2009	Consolidation method Dec. 2008
Global Gas & LNG (B3G)							
	Netherlands						
GDF SUEZ E&P Deutschland GbmH	Waldstrasse 39 – 49808 Linden – Germany	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ SA - 3G (formerly NEGOCE)*	22, rue du Docteur Lancereaux – 75008 Paris – France	100.0	100.0	100.0	100.0	FC	FC
GDF International Trading	2, rue Curnonsky – 75015 Paris – France	100.0	100.0	100.0	100.0	FC	FC
GAZ De France Energy Deutschland GmbH	Friedrichstrasse 60 – 10117 Berlin – Germany	100.0	100.0	100.0	100.0	FC	FC
GDF Supply Trading Marketing NL BV	Eleanor Rooseveltlaan 3 – 2719 AB Zoetermeer – Netherlands	100.0	100.0	100.0	100.0	FC	FC
Gaselys	2, rue Curnonsky – 75015 Paris – France	51.0	51.0	51.0	51.0	FC	PC

Company name	Corporate headquarters	% interest Dec. 2009	% interest Dec. 2008	% control Dec. 2009	% control Dec. 2008	Consolidation method Dec. 2009	Consolidation method Dec. 2008
Infrastructures							
Fluxys Group	Avenue des Arts, 31 – 1040 Brussels – Belgium	38.5	44.8	38.5	44.8	EM	EM
Storengy	23 rue Philibert Delorme – 75017 Paris – France	100.0	100.0	100.0	100.0	FC	FC
Elengy	23 rue Philibert Delorme – 75017 Paris – France	100.0	100.0	100.0	100.0	FC	FC
GRDF	6, rue Condorcet – 75009 Paris – France	100.0	100.0	100.0	100.0	FC	FC
GRTGAZ	2, rue Curnonsky – 75017 Paris – France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest Dec. 2009	% interest Dec. 2008	% control Dec. 2009	% control Dec. 2008	Consolidation method Dec. 2009	Consolidation method Dec. 2008
Energy Services (BES)							
COFELY	1, place des Degrés – 92059 Paris – La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC
AXIMA France	46, Boulevard de la Prairie du Duc – 44000 Nantes – France	100.0	100.0	100.0	100.0	FC	FC
COFELY AG	Thurgauerstrasse 56 – Postfach – 8050 Zurich – Switzerland	100.0	100.0	100.0	100.0	FC	FC
CPCU	185, Rue de Bercy – 75012 Paris – France	64.4	64.4	64.4	64.4	FC	FC
FABRICOM SA	254, Rue de Gatti de Gamond – 1180 Brussels – Belgium	100.0	100.0	100.0	100.0	FC	FC
ENDEL	1, place des Degrés 92059 – Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC
COFELY Nederland NV	Kosterijland 50 – 3981 AJ Bunnik – Netherlands	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
Energy Services (BES)							
INEO	1, place des Degrés 92059 – Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
SUEZ Environnement							
GDF SUEZ holds 35.4% 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	35.4	35.5	100.0	100.0	FC	FC
Lyonnaise Des Eaux France	11, place Edouard VII – 75009 Paris – France	35.4	35.5	100.0	100.0	FC	FC
Degremont	183, avenue du 18 Juin 1940 – 92500 Rueil Malmaison – France	35.4	35.5	100.0	100.0	FC	FC
HISUSA	Torre Agbar, Avenida Diagonal 211, 08018 Barcelona – Spain	18.1	18.1	51.0	51.0	PC	PC
AGBAR	Torre Agbar, Avenida Diagonal 211, 08018 Barcelona – Spain	16.3	16.3	51.0	51.0	PC	PC
SITA Holdings UK LTD	Grenfell Road, Maidenhead, Berkshire SL6 1ES – United Kingdom	35.4	35.5	100.0	100.0	FC	FC
SITA Deutschland GmbH	Industriestrasse 161 D-50999, Cologne – Germany	35.4	35.5	100.0	100.0	FC	FC
SITA Nederland BV	M. E.N. van Kleffensstraat 6, Postbis 7009, NL – 6801 HA Amhem – Netherlands	35.4	35.5	100.0	100.0	FC	FC
SITA France	Tour CB21 – 16 place de l'Iris – 92040 Paris La Défense Cedex – France	35.4	35.5	100.0	100.0	FC	FC
LYDEC	20, boulevard Rachidi, Casablanca – Morocco	18.1	18.1	51.0	51.0	FC	FC
United Water	200 Old Hook Road, Harrington Park New Jersey – United States	35.4	35.5	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
Other							
GDF SUEZ SA	22, rue du Docteur Lancereaux – 75008 Paris – France	100.0	100.0	100.0	100.0	FC	FC
SUEZ-Tractebel	Place du Trône, 1 – 1000 – Brussels – Belgium	100.0	100.0	100.0	100.0	FC	FC
GIE - GDF SUEZ Alliance	16, rue de la Ville l'Evêque – 75383 Paris Cedex 08 – France	100.0	100.0	100.0	100.0	FC	FC
GDF SUEZ Finance SA	16, rue de la Ville l'Evêque – 75383 Paris Cedex 08 – France	100.0	100.0	100.0	100.0	FC	FC

Company name	Corporate headquarters	% interest		% control		Consolidation method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
Other							
GDF SUEZ CC	Place du Trône, 1 – 1000 – Brussels – Belgium	100.0	100.0	100.0	100.0	FC	FC
Genfina	Place du Trône, 1 – 1000 – Brussels – Belgium	100.0	100.0	100.0	100.0	FC	FC

NOTE 30 FEES PAID TO STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

The GDF SUEZ Group's Statutory Auditors are Deloitte, Ernst & Young, and Mazars. In accordance with French decree no. 2008-1487, fees paid to the Statutory Auditors' and the members of their networks by the Group are disclosed in the table below.

30.1 Fees paid by the Group to statutory auditors and members of their networks in 2009

	Ernst & Young		Deloitte		Mazars	
	Amount	%	Amount	%	Amount	%
	(in millions of euros)					
Audit						
Statutory audit, attest engagements and review of consolidated and parent company financial statements						
• GDF SUEZ SA	2.3	12.3%	1.6	8.8%	1.8	24.5%
• Fully and proportionately consolidated subsidiaries	13.8	74.4%	13.7	75.0%	4.9	68.1%
Other audit-related procedures and services						
• GDF SUEZ SA	0.4	2.0%	0.5	2.8%	0.1	1.4%
• Fully and proportionately consolidated subsidiaries	1.2	6.6%	2.0	10.8%	0.3	4.4%
Sub-total	**17.7**	**95.3%**	**17.8**	**97.4%**	**7.0**	**98.3%**
Other services						
Tax	0.8	4.2%	0.4	2.4%	0.1	1.1%
Other services	0.1	0.5%	0.0	0.2%	0.0	0.6%
Sub-total	**0.9**	**4.7%**	**0.5**	**2.6%**	**0.1**	**1.7%**
Total(1)	**18.6**	**100.0%**	**18.2**	**100.0%**	**7.2**	**100.0%**

(1) Amounts relating to proportionately consolidated entities, which essentially concern statutory audit engagements, were €1.7 million for Deloitte, €0.6 million for Ernst & Young and €0.2 million for Mazars.

Audit fees paid to firms other than the Group's statutory audit firms amounted to €3.7 million.

30.2 Fees paid by the Group to statutory auditors and to members of their networks in 2008

	Ernst & Young		Deloitte		Mazars	
	Amount	%	Amount	%	Amount	%
	(in millions of euros)					
Audit						
Statutory audit, attest engagements and review of consolidated and parent company financial statements(1)						
• GDF SUEZ SA	6.0	27.9%	3.2	15.9%	3.3	38.4%
• Fully and proportionately consolidated subsidiaries	13.1	61.2%	12.5	62.5%	5.0	58.0%
Other audit-related procedures and services						
• GDF SUEZ SA	0.5	2.5%	1.7	8.4%	0.1	1.5%

	Ernst & Young		Deloitte		Mazars	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
			(in millions of euros)			
Audit						
• Fully and proportionately consolidated subsidiaries	1.4	6.6%	2.4	12.1%	0.1	0.8%
Sub-total	**21.1**	**98.3%**	**19.8**	**98.9%**	**8.4**	**98.6%**
Other services						
Tax	0.4	1.6%	0.2	0.8%	0.0	0.6%
Other services	0.0	0.1%	0.1	0.3%	0.1	0.8%
Sub-total	**0.4**	**1.7%**	**0.2**	**1.1%**	**0.1**	**1.4%**
Total(2)	**21.4**	**100.0%**	**20.0**	**100.0%**	**8.6**	**100.0%**

(1) Amounts relating to the merger and the stock market listing of SUEZ Environnement Company were €0.5 million for Deloitte, €3.6 million for Ernst & Young and €1.3 million for Mazars.

(2) Amounts relating to proportionately consolidated entities, which essentially concern statutory audit engagements, were €1.1 million for Deloitte, €0.4 million for Ernst & Young and €0.2 million for Mazars.

Audit fees paid to firms other than the Group's statutory audit firms amounted to €3.1 million.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2009, on:

- the audit of the accompanying consolidated financial statements of GDF SUEZ;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made, and evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2009 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 1.1.1 to the consolidated financial statements which describes the changes in accounting methods resulting from the application of new standards and interpretations as from January 1, 2009.

II. JUSTIFICATION OF ASSESSMENTS

The accounting estimates were made against a backdrop of high market volatility and an uncertain economic outlook, which makes it difficult to evaluate economic future. This context, which was already prevalent for the year ended 31 December 2008, is described in Note 1.3 to the consolidated financial statements. It is in this context and in accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, that we bring to your attention the following matters:

Accounting estimates

As disclosed in Note 1.3 to the consolidated financial statements, the GDF SUEZ Group is required to make estimates and assumptions in order to prepare its consolidated financial statements. These significant accounting estimates relate to the measurement of the fair value of assets and liabilities of Gaz de France in connection with the business combination, and the measurement of goodwill, property, plant and equipment and intangible assets, provisions, financial derivative instruments, un-metered revenues (as in "gas in the meter") and the assessment of the tax loss carry-forwards recognized as deferred tax asset. Note 1.3 to the consolidated financial statements also specifies that the future results of the transactions in questions may differ from these estimates depending on assumptions used or different situations.

- As indicated in Note 2.2.1 to the consolidated financial statements, GDF SUEZ finalized the allocation of the purchase price to the assets and liabilities of Gaz de France in 2009. Our procedures consisted in assessing the reasonableness and appropriateness of the methodologies and assumptions used to measure the allocated amounts and to verify that Note 2 to the consolidated financial statements provides appropriate disclosure.

- Regarding goodwill as well as property, plant and equipment and intangible assets, we have examined the methods used to perform impairment tests, the data and assumptions used as well as the procedure for approving these estimates by management. We have reviewed the calculations made by the Group and verified that Notes 5 and 9 to the consolidated financial statements provide appropriate disclosure.

- Regarding provisions, in particular, provisions for nuclear fuel reprocessing and storage, decommissioning of nuclear power plants and gas infrastructures, litigation, and retirement and other employee benefits, we have assessed the bases on which these provisions have been recorded and verified that Notes 17, 18 and 27 to the consolidated financial statements provide appropriate disclosure.

- Regarding the valuation of financial derivative instruments that are not listed on financial markets, the Group uses internal computer models representative of market practices. Our work consisted in examining the system for monitoring these models and assessing the data and assumptions used, including those applied to assess, in the context of the financial crisis, the counterparty risk taken into account to value financial derivative instruments. We have also verified that Notes 14 and 15 to the consolidated financial statements provide appropriate disclosure.

- Delivered unbilled natural gas ("gas in the meter") and electricity are calculated using a method factoring in average energy sale prices and historical consumption data. Our work consisted in assessing the methods and assumptions used to calculate these estimates and verifying that Note 1.3 to the consolidated financial statements provides appropriate disclosure.

- Concerning the tax loss carry-forwards recognized as deferred tax assets, our work consisted in verifying that the recognition criteria were satisfied and assessing the assumptions underlying the forecasts of taxable profits and the relating consumptions of tax loss carry-forwards. We have also verified that Note 7 to the consolidated financial statements provides appropriate disclosure.

Accounting policies and methods

We have examined the accounting treatments adopted by the GDF SUEZ Group, in particular, in respect of:

- the recognition of the acquisition of minority interests, and the practical applications of the provisions of IAS 39 relating to the type of contracts considered to be part of "normal activity", areas that are not the subject of specific provisions under IFRS, as adopted in the European Union,

- the accounting treatment applied to the concession contracts.

We ensured ourselves that Note 1 to the consolidated financial statements provides appropriate disclosure in this respect.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris - La Défense, March 22, 2010

The Statutory Auditors

DELOITTE & ASSOCIES		ERNST & YOUNG et Autres		MAZARS	
Jean-Paul Picard	Pascal Pincemin	Christian Mouillon	Charles-Emmanuel Chosson	Philippe Castagnac	Thierry Blanchetier

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United Kingdom

U.S.$1,500,000,000

GDF SUEZ S.A.

U.S.$750,000,000 1.625% Notes due 2017
U.S.$750,000,000 2.875% Notes due 2022

OFFERING MEMORANDUM

J.P. Morgan

RBS

BofA Merrill Lynch

Citigroup

Mitsubishi UFJ Securities

BNP PARIBAS

Crédit Agricole CIB

Natixis

SOCIETE GENERALE

October 2, 2012