

Ordinary General Meeting of 12 April 2011

Speech by Baron Frère

The euphoric atmosphere that preceded the crisis gave way to a climate of uncertainty and volatility, reflecting the convalescence of a world in search of a new equilibrium.

There is no denying that the economic climate cleared to some extent in 2010, with world growth estimated at 5%. This improvement is uneven, however. The emerging countries are enjoying a strong recovery whereas the developed countries are experiencing a much more modest progression.

Faced with heavier public debts, the latter also have to apply greater budget discipline. Here too, the situation shows contrasts. Germany emerges as the star pupil in Europe. It is not encountering the difficulties faced by countries like Greece, Ireland, Portugal and Spain. This difference creates tension in the euro area and serves as a reminder that sharing a common currency requires better coordination of economic policies.

Similarly, at global level, this need for coordination finds expression in the efforts under way to build a new monetary order that would provide a better framework for competition between currencies.

The cyclical rebound is matched with higher raw materials prices and consequently with inflationary pressures. Monetary policies also have to be adapted to accomplish the difficult task of ensuring price stability without dragging down growth.

Added to this already complicated context come geopolitical developments such as the uprisings in North Africa and the recent Japanese tragedy. So it is time for realism and reason rather than blind optimism.

Stock exchanges are echoing these developments, showing overall progress but with strong volatility and pronounced differences from one sector to the next. The companies in GBL's portfolio, which respond to different economic cycles, are consequently experiencing contrasting developments, notably on stock exchanges. The Pernod Ricard, Imerys and Arkema shares have performed well, unlike those of GDF Suez, Lafarge and Total, which have evolved less favourably.

GDF Suez, which showed remarkable resilience during the crisis and maintained excellent results in spite of unfavourable market parameters, has suffered from the poor perception of the sector stemming from the financial community's concerns about the evolution of commodity prices and especially the regulatory environment.

GDF Suez nevertheless sets itself apart from its main competitors by its international presence and its exposure to strong growth markets, a position that was reinforced with the success of the International Power operation. The group's performance and its continuing financial solidity rely on the dynamic management of a diversified portfolio of high quality assets.

The delay in the upturn of the construction sector and particular market situations in certain emerging countries deprived Lafarge of the more buoyant climate expected in 2010. Its high level of debt also had a negative impact on its share price and reducing this debt will be a priority for the year under way. Nevertheless the determined action by its management allowed the company to stay the course and to register a reasonable performance in 2010.

We should also bear in mind the significant progress registered by Lafarge in recent years with a remarkable deployment of capacities in the emerging countries. Its global geographical footprint and its reactivity bode well for the turnaround potential of Lafarge, which is now the world's leading cement group.

The major integrated oil companies have not sparked enthusiasm on markets in recent years either. Markets are concerned about industry's capacity to replace its reserves, higher development costs and tax pressure from states that own the resources. Total's share price was also penalised compared with its competitors because of its links to the euro zone. However, market perceptions of the potential of these oil companies may be changing. Furthermore, the new approach of Total's management, based on giving greater emphasis to oil exploration, operational efficiency and dynamic portfolio management, enhance the company's outlook.

Imerys is turning to good account its particularly dynamic crisis management and began this new year in good working order. The changeover went smoothly and the company looks to the future with confidence under the lead of its new CEO, Gilles Michel.

With its recent acquisition of Pargesa's stake at the cost of EUR 1.1 billion, GBL now holds a majority position in this fine group, which it knows well and whose outlook it appreciates. The investment is expected to generate significant value over the medium term.

Pernod Ricard benefitted fully from the improved economic climate, particularly in the emerging countries, and is continuing its strong development. It is gradually consolidating its financing structure by reducing the debt taken on with the acquisition of Absolut vodka. Its performance is recognized by markets, which pushed up its share price by around 17% in 2010.

We have reinforced our investment in Arkema, which is showing excellent operational health acknowledged by a sharp market progression.

GBL is also continuing its development in private equity, primarily with an additional investment in Ergon Capital III in 2010.

The stock market year was somewhat disappointing for the company which however remains confident in the potential of its portfolio. Its major investments, which tended to lag behind in 2010, are expected to make up for recent underperformance over the medium term.

Although GBL's future is obviously linked to the outlook of its portfolio, it also depends on the solidity of its shareholding structure, the quality of its management and its governance.

Relations between the Desmarais and Frère families remain solid and confident and transcend the generations. This is borne out by the planned prolongation of the agreement between them.

This is important for GBL since it ensures the continuity of its shareholding structure and of its management philosophy.

It is also proposed to strengthen the Board of Directors by taking on two new members.

Antoinette d'Aspremont Lynden comes in as an independent Director and contributes an open mind, an international profile and strong experience particularly in the field of economics. Her appointment also represents a first step towards a welcome female presence in the Board.

G rard Lamarche is one of the top professionals of his generation; having earned wide experience in investment and management. With him we broaden the expertise available at the Board in terms of energy matters and strengthen the already close ties with GDF Suez, without however subjecting ourselves to problematic conflicts of interest.

Finally the succession of members of our executive management is a topic on which some are starting to raise questions today. It is unfortunately true that none of us are getting younger and that our replacement is a timely issue. It will be no surprise to you to hear that we are currently working on the topic but that the process has not reach its conclusion yet. Nor will you be shocked to know that we will not comment on the rumours in the media. Rest assured that we will properly inform you in due course of decisions being made in this respect.

With net debt of around EUR 600 million, after financing of our acquisition in Imerys, GBL's financial structure remains extremely solid. We do not intend to depart from our traditional policy and will continue to finance our portfolio primarily out of own funds, with a limited level of debt over the medium term.

To ensure the group's liquidity, we have prolonged half of our confirmed credit lines for three years. We have also issued bonds in the amount of EUR 350 million to refinance in advance part of our 2012 exchangeable bonds.

GBL's cash earnings are one of the important elements of its payout capacity. These did not benefit, as they did in 2009, from the exceptional GDF Suez dividend or the recovery of amounts withheld on past dividends.

Excluding these two non-recurring elements, however, cash earnings increased, enabling GBL once again to propose to increase its gross dividend per share by 5%.

Ladies and Gentlemen,

Whatever views some may have, we set great store in our holding model and in our role of active professional investor with a long-term vision. Not out of habit or fear of change, but because we continue to think that this works in the best interests of our shareholders. We reject change for the sake of change, even if this means being accused of failure to act. Our portfolio will evolve over time along the lines of greater diversification and greater flexibility, but a major transformation would not make sense today.

The promising outlooks for our investments, the solidity of our shareholding structure, the strengthening of our governance, the quality of our teams and our openness to a changing world augur well for GBL's future.

Ladies and Gentlemen,

As always, I am particularly touched by your loyalty and thank you for being here today.

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