20 Financial information relating to the Company’s assets, financial situation and revenues

20.1 Consolidated Financial Statements

Consolidated Balance Sheet

(in millions of euros)	Note	December 31, 2008	December 31, 2007	December 31, 2006
Non-current assets				
Intangible assets, net	10	1,867.2	1,712.9	1,721.5
Goodwill	9	2,897.5	2,720.2	2,244.2
Property , plant and equipment, net	11	6,205.8	5,918.6	5,689.6
Available-for-sale securities	14	729.2	1,143.6	827.7
Loans and receivables carried at amortized cost	14	457.4	312.7	425.9
Derivative financial instruments (incl. commodity derivatives)	14	89.6	58.2	45.0
Investments in associates	12	265.6	237.7	220.9
Other non current assets		120.0	55.1	45.5
Deferred tax assets	7	500.2	574.0	673.7
Total non-current assets		**13,132.5**	**12,733.0**	**11,894.0**
Current assets				
Derivative financial instruments (incl. commodity derivatives)	14	0.3	14.9	12.4
Loans and receivables carried at amortized cost	14	151.8	188.6	145.4
Trade and other receivables	14	3,588.4	3,147.5	3,083.9
Inventories	16	245.9	242.5	245.9
Other current assets		872.6	765.5	685.0
Financial assets at fair value through income	14	51.0	179.5	53.5
Cash and cash equivalents	14	1,668.5	1,466.2	1,994.8
Total current		**6,578.5**	**6,004.7**	**6,220.9**

assets				
Total balance sheet assets		**19,711.0**	**18,737.7**	**18,114.9**
Shareholders' equity Group share		3,532.4	3,643.9	3,547.0
Minority interests		637.6	613.0	1,120.1
Total consolidated shareholders' equity	**17**	**4,170.0**	**4,256.9**	**4,667.1**
Non-current liabilities				
Provisions	18	1,021.1	955.2	1,025.6
Long term borrowings	14	5,100.5	4,722.6	3,335.8
Derivative financial instruments (incl. commodity derivatives)	14	22.5	16.1	17.4
Other financial liabilities	14	18.9	2.3	2.6
Other non current liabilities		514.2	246.8	121.5
Deferred tax liabilities	7	332.7	561.1	605.3
Total non-current liabilities		**7,009.9**	**6,504.1**	**5,108.2**
Current liabilities				
Provisions	18	306.9	341.2	354.0
Short term borrowings	14	2,620.8	2,350.1	2,598.9
Derivative financial instruments (incl. commodity derivatives)	14	83.3	5.4	6.3
Trade and other payables	14	3,863.7	3,714.7	3,852.9
Other current liabilities		1,656.4	1,565.3	1,527.5
Total current liabilities		**8,531.1**	**7,976.7**	**8,339.6**
Total consolidated shareholders' equity and liabilities		**19,711.0**	**18,737.7**	**18,114.9**

Consolidated income statements

(in millions of euros)	Note	December 31, 2008	December 31, 2007	December 31, 2006
Revenues		12,363.7	12,034.1	11,446.6

Purchases		(2,677.2)	(2,210.1)	(2,384.4)
Personnel costs		(3,062.2)	(3,140.1)	(2,967.4)
Depreciation, amortization and provisions		(776.0)	(754.9)	(679.8)
Other operating income and expenses		(4,789.2)	(4,867.6)	(4,354.6)
Current operating income	**4**	**1,059.1**	**1,061.4**	**1,060.4**
Mark-to-market on operating financial instruments		3.2	(5.7)	(1.9)
Impairment of property ,plant and equipment, intangible and financial assets		(1.7)	(35.4)	(53.9)
Restructuring costs		(20.9)	(12.3)	1.0
Expenses linked to the Initial Public Offering		(50.8)	-	-
Disposal of assets		46.9	181.4	149.7
Income from operating activities	**5**	**1,035.8**	**1,189.4**	**1,155.3**
Financial expenses		(420.8)	(365.7)	(331.5)
Financial income		91.0	103.0	167.5
Financial income/(loss)	**6**	**(329.8)**	**(262.7)**	**(164.0)**
Income tax expense	7	(92.7)	(273.5)	(276.1)
Share in net income of associates	12	34.0	22.6	20.7
Consolidated net income		**647.3**	**675.8**	**735.9**
Of which minority interests		114.1	184.1	162.1
Net income, Group share		533.2	491.7	573.8
Consolidated net income (Group share) per share		**1.09**	**1.00**	**1.17**

Consolidated cash flow statements

(in millions of euros)	December 31, 2008	December 31, 2007	December 31, 2006
Consolidated net income	**647.3**	**675.8**	**735.9**
- Share in net income of associates	(34.0)	(22.6)	(20.7)
+ Dividends received from Associates	21.7	16.4	21.8
- Net depreciation, amortization and provisions	724.8	762.9	753.8
- Net capital gains on disposals	(46.9)	(181.4)	(149.7)
-Other items with no cash impact	53.5	37.0	4.5
- Income tax expense	92.7	273.5	276.1
- Net financial loss	329.8	262.7	164.0
Cash from operations before financial income/(expense) and income tax	**1,788.9**	**1,824.3**	**1,785.7**
+ Tax paid	(204.8)	(351.2)	(260.9)
Change in working capital requirements	**(51.9)**	**(11.2)**	**40.2**
Cash from/(used in) operating activities	**1,532.2**	**1,461.9**	**1,565.0**
Investments in property , plant and equipment and intangible assets	(1,143.9)	(1,132.9)	(1,004.0)
Acquisitions of entities net of cash and cash equivalents acquired	(1,419.4)	(467.5)	(345.3)
Acquisitions of available-for-sale securities	(36.1)	(268.6)	(103.6)
Disposals of tangible and intangible fixed assets	39.7	50.7	68.3
Disposals of entities net of cash and cash equivalent sold	(18.2)	245.4	130.7
Disposals of available-for-sale securities	144.8	4.6	1.6
Interest received on non-current financial assets	4.3	3.3	57.1
Dividends received on non-current financial assets	33.0	33.7	28.0
Change in loans and receivables issued by the Company and others	(22.7)	(3.7)	(14.3)
Cash from/(used in) investing activities	**(2,418.5)**	**(1,535.0)**	**(1,181.5)**
Dividends paid	(496.6)	(549.7)	(502.3)
Repayment of financial debt	(494.3)	(527.0)	(573.7)
Change in financial assets at fair value through income	129.3	(125.2)	(14.4)
Financial interest paid	(352.6)	(301.1)	(291.1)
Financial interest received on cash and cash equivalents	41.1	51.9	72.5
Increase in financial debt (a)	2,326.4	1,006.7	947.3
Increase in share capital (b)	1.2	5.7	29.2
Cash from/(used in) financing activities	**1,154.5**	**(438.7)**	**(332.6)**
Impacts of changes in exchange rates and other	(65.9)	(16.8)	19.9
Total cash flows for the period	**202.3**	**(528.6)**	**70.9**
Opening cash and cash equivalents	**1,466.2**	**1,994.8**	**1,923.9**
Closing cash and cash equivalents	**1,668.5**	**1,466.2**	**1,994.8**

Change in consolidated shareholders' equity

(in millions of euros)	Number of shares	Share Capital	Additional paid-in	Fair value adjustments	Treasury shares	Translation adjustments	Consolidated shareholders'	Minority interests	TOTAL

			capital, Reserves and Net Income (Group Share)	and other		equity, Group share		
IFRS consolidated shareholders' equity as of December 31, 2005	**489,699,060**	**1,958.6**	**1,200.1**	**(7.3)**	**91.7**	**3,243.1**	**793.1**	**4,036.2**
Income and expense recognized directly in shareholders' equity				200.6	(116.1)	84.5	(43.9)	40.6
Consolidated net income			573.8			573.8	162.1	735.9
Total recognized income and expenses			**573.8**	**200.6**	**(116.1)**	**658.3**	**118.2**	**776.5**
Employee share issues and share-based payment			12.8			12.8		12.8
Capital increase/reduction			29.8			29.8	(12.2)	17.6
Dividends paid			(401.1)			(401.1)	(101.2)	(502.3)
Other changes			4.1			4.1	322.2	326.3
IFRS consolidated shareholders' equity as of December 31, 2006	**489,699,060**	**1,958.6**	**1,419.5**	**193.3**	**(24.4)**	**3,547.0**	**1,120.1**	**4,667.1**
Income and expense recognized directly in shareholders' equity				219.1	(162.5)	56.6	(12.4)	44.2
Consolidated net income			491.7			491.7	184.1	675.8
Total recognized income and expenses			**491.7**	**219.1**	**(162.5)**	**548.3**	**171.7**	**720.0**
Employee share issues and share-based payment			40.1			40.1		40.1
Capital increase/reduction							5.5	5.5
Dividends paid			(440.8)			(440.8)	(108.9)	(549.7)
Other changes			(50.7)			(50.7)	(575.4)	(626.1)
IFRS consolidated shareholders' equity as of December 31,	**489,699,060**	**1,958.6**	**1,459.8**	**412.4**	**(186.9)**	**3,643.9**	**613.0**	**4,256.9**

2007									
Income and expense recognized directly in shareholders' equity				(318.3)		(111.8)	(430.1)	(75.0)	(505.1)
Consolidated net income			533.2				533.2	114.1	647.3
Total recognized income and expenses			**533.2**	**(318.3)**		**(111.8)**	**103.1**	**39.1**	**142.2**
Employee share issues and share-based payment			47.9				47.9		47.9
Capital increase/reduction		0.2					0.2		0.2
Net acquisition of treasury shares			(2.7)		(17.1)		(19.8)		(19.8)
Dividends paid			(403.0)				(403.0)	(93.6)	(496.6)
Movements related to Argentinean dispute			235.4[a]				235.4		235.4
Other changes			(75.3)[b]				(75.3)	79.1[c]	3.8
IFRS consolidated shareholders' equity as of December 31, 2008	**489,699,060**	**1,958.8**	**1,795.3**	**94.1**	**(17.1)**	**(298.7)**	**3,532.4**	**637.6**	**4,170.0**

(a) See Note 2 on major transactions, in particular the paragraphs relating to the signature of the contract between SUEZ SA and SUEZ Environnement Company which involves the management of the Argentinean dispute.

(b) This is mostly the result of the reclassification of shares between subsidiaries of SUEZ SA and SUEZ Environnement SA. These transactions between entities under common control have been recorded at their book value. No goodwill has been recognized (see Note 1.1).

(c) See Note 2 on major transactions. This movement mainly relates to the accounting treatment of the Public Offering for Agbar shares.

Statement of recognized income and expenses

(IN MILLIONS OF EUROS)	Total as of December 31, 2008	Of which group share	Of which minority interests	Total as of December 31, 2007	Of which group share	Of which minority interests	Total as of December 31, 2006	Of which group share	Of which minority interests
Available-for-sale securities	(341.1)	(320.8)	(20.3)	120.4	119.8	0.6	155.1	147.6	7.5
Net investment hedges	23.2	22.3	0.9	3.7	2.7	1.0	7.7	7.7	-
Cash flow hedges	(37.0)	(35.3)	(1.7)	7.2	6.4	0.8	22.9	21.9	1.0
Commodity cash flow hedges	(54.6)	(54.6)	-	8.2	8.2	-	(5.2)	(5.2)	-

Actuarial gains and losses	(119.9)	(115.7)	(4.2)	59.6	58.0	1.6	15.5	17.7	(2.2)
Deferred taxes	114.9	113.3	1.6	(57.0)	(56.5)	(0.5)	(38.0)	(38.4)	0.4
Translation adjustments	(90.6)	(39.3)	(51.3)	(97.9)	(82.0)	(15.9)	(117.4)	(66.8)	(50.6)
Income recognized directly in shareholders' equity	**(505.1)**	**(430.1)**	**(75.0)**	**44.2**	**56.6**	**(12.4)**	**40.6**	**84.5**	**(43.9)**
Consolidated net income	647.3	533.2	114.1	675.8	491.7	184.1	735.9	573.8	162.1
Total recognized income and expenses	**142.2**	**103.1**	**39.1**	**720.0**	**548.3**	**171.7**	**776.5**	**658.3**	**118.2**

Note 1 – Basis of presentation, principles and significant accounting policies

1.1 Basis of presentation

SUEZ Environnement Company S.A., parent company of the Group which includes all water and waste operations (the Group), is a *société anonyme* (French corporation) which was established in November 2000 and headquartered in Paris (75008), 1 rue d'Astorg. – France.

In the context of the merger operations with Gaz de France, the SUEZ group consolidated all of its subsidiaries and interests in the Environment sector into SUEZ Environnement Company. SUEZ Environnement Company is listed on the Euronext Paris market (Compartment A) since July 22, 2008.

The creation of the Group results from reclassifications carried out between different holding companies of SUEZ group. These reclassifications have not made any change to SUEZ SA's control of the entities that comprise this Group. These link-ups between entities under common control do not fall within the scope of IFRS 3 — Business Combinations — and were recognized under the “pooling of interests” method at their book value in the consolidated financial statements. As IFRS does not provide any specific guidance for business combinations involving entities under common control, the accounting treatment adopted was reviewed by Group management in light of IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors — and in particular paragraph 10 of the standard — Selection and Application of Accounting Policies.

On this basis, the Group's Consolidated Financial Statements at December 31, 2008, were presented according to the "pooling of interest" accounting method, including the comparative fiscal years, 2006 and 2007, considering that the SUEZ Environnement Company group was formed on January 1, 2006.

As at December 31, 2007, in the absence of a parent company, combined financial statements had been presented for the years 2005, 2006 and 2007 in order to provide a consistent financial overview of the Group's scope of operations. These financial statements had been prepared based on the financial statements of companies historically consolidated in SUEZ’s financial statements, in accordance with the policies and procedures applicable as of December 31, 2007 and in accordance with the “pooling of interest” method.

The comparative information from the fiscal years of 2006 and 2007 contained in the 2008 consolidated financial statements corresponds to the information presented in the 2007 combined financial statements.

1.2 Accounting standards

Pursuant to Commission Regulation (EC) 809/2004 of the European Commission of April 29, 2004 implementing the Prospectus Directive, the financial information of SUEZ Environnement Company is supplied for the last three fiscal years, 2006, 2007 and 2008, and is established in accordance with Commission Regulation 1606/2002 of July 19, 2002 relating to the application of International Financial Reporting Standards (IFRS). As at December 31, 2008, the annual Consolidated

Financial Statements of the Group were established in accordance with IFRS as issued by the IASB and adopted by the European Union(1){note1}.

Since January 1, 2006, the Group has applied IFRIC 12. SUEZ Environnement Company believes that the provisions of this interpretation, which are still undergoing examination by the European Union, are not incompatible with the standards adopted and can therefore be used for guidance purposes(2){note2}.

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

- IFRIC 14(3){note3} – IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This interpretation does not have a material impact on the financial statements of the Group.

IFRIC 11 – IFRS2 - Group and Treasury Share Transactions

This interpretation provides guidance on accounting treatment in a subsidiary for payments based on equity instruments of the parent company, involving a purchase of Treasury shares. It does not affect the financial statements of the Group.

Amendments to IAS 39 and IFRS 37 – Reclassification of Financial Assets

In response to the financial crisis, the amendment to IAS 39 allows, firstly, in rare cases, the reclassification of financial instruments out of the "Financial assets valued at fair value through income" category, and secondly, under certain conditions, the reclassification of financial instruments from the "Financial assets valued at fair value through income" and "Available-for-sale financial assets categories" to the "Loans and receivables" category.

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

For the record, the Group has been applying IFRIC 12 since December 31, 2006. This standard is mandatory since 2008.

1.2.2 IFRS standards and IFRIC interpretations that are mandatory after 2008 and that have been early adopted by the SUEZ Environnement Company group

IFRS 8 – Operating segments

This standard replaces IAS 14 and aligns segment information with the requirements of SFAS 131, which requires entities to adopt the “management approach” to reporting on their operating segments. It does not affect the performance or financial position of the Group, but changes the information presented. The SUEZ Environnement Company group presents the following segments and segment information :

Segment information:

- Revenues (internal and external);
- EBITDA;
- Current operating income;
- Depreciation and amortization;
- Capital employed;
- Investments.

Geographic information:

- Revenues;
- Capital employed.

Segments:

- Water Europe;
- Waste Europe;
- International;
- Other.

IAS23 - Borrowing costs

The revision to this standard issued in 2007 eliminates the option of recognizing borrowing costs as an expense.

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

1.2.3 IFRS standards and IFRIC interpretations that are mandatory after 2008 and that have not been early adopted by the SUEZ Environnement Company group as of 2008

The impact of these standards and interpretations is currently being assessed.

- IAS 1 revised in 2007 – Presentation of financial statements;
- IFRS 3 revised – Business combination (stage 2);
- IAS 27 revised - Consolidated and individual financial statements;
- Amendments to IAS 32 – Puttable financial instruments and obligations arising on liquidation;
- Amendment to IAS 39 – Eligible hedged items;
- Amendment to IFRS 2 – Vesting conditions and cancellations;
- Amendment to IFRS 1 – Cost of an investment in a subsidiary, jointly controlled entity or associate;
- IFRIC 13 – Customer loyalty programs;
- IFRIC 15 – Agreements for the construction of real estate assets(1){note1}***;***
- IFRIC 16 - Hedges of a net investment in a foreign operation;
- IFRIC 17 – Distribution of non-monetary assets to shareholders;
- In May 2008, the IASB published a first series of amendments to its standards ("Annual improvements to IFRS") with the aim of eliminating certain inconsistencies and clarifying the wording of the standards. Specific transitional provisions are provided for each amendment.
- 1.3 MEASUREMENT BASIS

The Consolidated Financial Statements have been prepared using the historical cost convention, except in the case of some financial instruments which are measured at fair value in conformity with the treatment of different categories of financial assets and liabilities defined by IAS 39.

1.4 USE OF JUDGMENT AND ESTIMATES

The crisis raging across financial markets over the last 15 months has prompted the Group to step up its risk oversight procedures and include an assessment of risk. 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.

1.4.1 Estimates

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions to determine the value of assets and liabilities, the disclosure of contingent assets and liabilities at balance sheet date, and the 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 by the Group in preparing the Consolidated Financial Statements relate chiefly to:

- the measurement of the recoverable amount of property, plant and equipment and intangible assets (see section 1.5.7);
- the measurement of provisions, particularly for legal and arbitration proceedings and for pensions and other employee benefits (see section 1.5.15.1);
- capital renewal and replacement liabilities;
- financial instruments (see section 1.5.10);
- un-metered revenues;
- the measurement of capitalized tax loss carry-forwards.

1.4.1.1 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 losses booked.

1.4.1.2 Estimates of provisions

Parameters with a significant influence on the amount of provisions include the timing of expenditure and the discount rate applied to cash flows, as well as the actual level of expenditure. These parameters are based on information and estimates deemed to be appropriate by the 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. Furthermore, the Group is not aware of any developments that are likely to have a material impact on the booked provisions.

1.4.1.3 Capital renewal and replacement liabilities

This item includes concession operators’ liabilities for renewing and replacing equipment and restoring sites. The liabilities are determined by estimating the cost of renewing or replacing equipment and restoring the sites under concession (as defined by IFRIC 12), discounted each year at rates linked to inflation. The related expense is calculated on a case-by-case basis with probable capital renewal and site restoration costs allocated over the life of each contract.

1.4.1.4 Pensions and other employee benefit obligations

Pension obligations are measured on the basis of actuarial calculations. The Group considers that the assumptions used to measure its obligations are appropriate and fair. 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 customers whose consumption is metered during the accounting period are estimated at the balance sheet date based on historic data, consumption statistics and estimated selling prices. The Group has developed measuring and modeling tools that allow 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.

1.4.1.7 Measurement of capitalized tax loss carry-forwards

Deferred tax assets are recognized on tax loss carry-forwards when it is probable that future taxable income will be available to the Group 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 earnings forecasts as included in the medium-term business plan.

1.4.2 Judgment

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

This particularly applies in relation to the recognition of concession arrangements (see section 1.5.6), the classification of agreements that contain a lease (see section 1.5.8), and the recognition of acquisitions of minority interests.

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

[1] (1) Basis of presentation available on the website of the European Commission http://ec.europa.eu/internal_market/accounting/

[1] (1) Unofficial translation.

[2] (1) As stipulated in the observations of the Commission of European Communities in Novemberº2003 with regard to certain articles of Commission Regulation (EC) 1606/2002 of the European Parliament and Council, relating to the application of international accounting standards as well as the fourth directive (78/660/EEC) of the Council, from Julyº25, 1978, and the seventh directive 83/349/EEC of the Council on accounting, dated June 13, 1983.

[3] (3) Endorsed by the European Union in Decemberº2008, but with a mandatory date of application in the European Union deferred to fiscal years beginning on or after Decemberº31, 2008.

1.5 Significant accounting policies

1.5.1 Scope and methods of consolidation

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

• Subsidiaries 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 analyses 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 in the Consolidated Financial Statements.

A list of the main fully and proportionately consolidated companies, together with investments accounted for by the equity method, is presented in Note 31 — List of the main consolidated companies at December 31, 2008, 2007 and 2006.

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. In most cases, the functional currency corresponds to the local currency. However, certain entities may have a different functional currency from the 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 balance sheet date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the income statement 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 consolidated companies with a functional currency other than the euro

The balance sheets of these subsidiaries are translated into euros at 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 consolidated companies are recorded under "Cumulative translation adjustment" within equity.

Goodwill and fair value adjustments arising from the acquisition of foreign entities are classified as assets and liabilities of those foreign entities. Therefore, they are denominated in the functional currencies of the entities and translated at the year-end exchange rate.

Translation adjustments previously recorded under equity are taken to the income statement on the disposal of a foreign entity.

1.5.3 Business combinations

For business combinations carried out since January 1, 2004, the Group applies the purchase method as defined in IFRS 3, which consists of recognizing the 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/or 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.

1.5.4 Intangible assets

Intangible assets are recognized at cost less any accumulated amortization and any accumulated impairment losses.

1.5.4.1 Goodwill

A. 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 separately for each exchange transaction 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 as shareholders' 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 acquired, and liabilities and contingent liabilities assumed exceed the cost of the business combination, the excess is recognized immediately in the income statement.

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

B. Measurement of goodwill

Goodwill is not amortized but is tested for impairment each year or more frequently when an indication of impairment is identified. Impairment tests are carried out at the level of cash-generating units (CGUs), which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other cash-generating units.

The methods used to carry out these impairment tests are described in section 1.5.7 "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 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

A. 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.

B. Other internally generated or acquired intangible assets

Other intangible assets include mainly:

- amounts paid or payable as consideration for rights relating to concession arrangements or public service contracts;

• customer portfolios acquired on business combinations;

• surface and underground water drawing rights, which are not amortized as they are granted indefinitely;

• concession assets (see Note 1.5.6).

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

	Length	
	Minimum	Maximum
Infrastructure concessions - length of contracts	10	50
Client portfolio	10	25
Other intangible assets	1	40

Some intangible assets with an indefinite useful life are not amortized.

1.5.5 Property, plant and equipment

1.5.5.1 Property, plant and equipment – initial measurement and subsequent measurement

Items of property, plant and equipment are recognized at historical cost less any accumulated depreciation and any accumulated impairment losses.

The book value 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. In counterpart, a provision is recorded for the same amount.

Property, plant and equipment acquired under finance leases are carried in the consolidated balance sheet at the lower of market value and the present value of the related minimum lease payments. The corresponding liability is recognized under financial debt. These assets are also depreciated using the methods and useful lives set out below.

In accordance with the revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

1.5.5.2 Amortization

In accordance with the components approach, the Group uses different depreciation terms for each significant component of a sole tangible asset when one of these significant components has a different useful life from that of the main tangible asset to which it relates.

Depreciations are calculated on a straight-line basis over useful lives ranging from 2 to 100 years.

The range of useful lives is due to the diversity of the assets and contractual terms in each category. The shortest periods relate to smaller equipment and furniture, while the longest useful lives concern network infrastructures.

Standard useful lives are as follows:

	Main depreciation periods *(years)*
Constructions*	3 to 100
Plant and equipment	2 to 100
Transport equipment	3 to 14

* Including fittings

With respect to the assets accounted for as counterparty for the site rehabilitation provisions , they are amortized according to the method set forth in section 18.4.

1.5.6 Concessions

SIC 29, Disclosure – 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 concession operator.

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. For its consolidated financial statements, the Group chose to early adopt the provisions of this interpretation, which came into force in 2008 (see section 1.2).

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 provide these services to the public (this criteria must be met for the arrangement to qualify as a concession);

- the operator is responsible for at least some of the management of the infrastructure and does not merely act as an agent on behalf of the grantor;

- the contract sets the initial prices to be levied by the operator and regulates price revisions over the concession period.

For a concession arrangement to fall within the scope of IFRIC 12, usage of the infrastructure must be controlled by the concession grantor. The requirement is met when:

- the grantor controls or regulates what services the operator must provide with the infrastructure and determines to whom it must provide them, and at what price;

- 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 recognized based on the party primarily responsible for payment:

- the "intangible asset model" is applied when the operator is entitled to bill the users of the public service and when the users have primary responsibility to pay for the concession services; and

- the "financial asset model" is applied when the operator is entitled to receive cash or another financial asset, either directly from the grantor or indirectly by means of warranties given by the grantor to the amount of the receipts from the users of the public service (*e.g.* via a contractually guaranteed internal rate of return), *i.e.* the grantor has the primary responsibility to pay the operator.

“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 for the duration 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 used to account for BOT (Build, Operate and Transfer) contracts entered into with local authorities for public services such as wastewater disposal 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 balance sheet;

- start-up capital expenditure is recognized as follows:

  - under the intangible asset model, the fair value of construction and other work on the infrastructure represents the cost of the intangible asset and should be recognized when the infrastructure is built provided that this work is expected to generate future economic benefits (*e.g.*, the case of work carried out to extend the network). Where no such economic benefits are expected, the present value of commitments in respect of construction and other work on the infrastructure is recognized from the outset, with a corresponding adjustment to concession liabilities,

  - under the financial asset model, the amount receivable from the grantor is recognized at the time the infrastructure is built, at the fair value of the construction and other work carried out,

  - when the grantor has a payment obligation for only part of the investment, this share 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.

1.5.7 Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36, impairment tests are carried out on intangible assets or on property, plant and equipment whenever 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.

Indication of impairment

This impairment test is only carried out for property, plant and equipment and intangible assets for the defined useful lives when there are indications of an alteration in their value. In general, this arises as a result of significant changes in the operational environment of the assets or from a poorer than expected economic performance.

The main indications of impairment used by the Group are:

- external sources of information:

  - significant changes in the economic, technological , political market environnement in which the entity operates or to which the asset is dedicated,

  - fall in demand;

- internal sources of information:

  - evidence of obsolescence or physical damage not budgeted for in the depreciation /amortization schedule,

  - worse-than-expected performance.

Impairment

Items of property, plant and equipment or intangible assets are tested for impairment at the level of the individual asset or cash-generating unit 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 reduced 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 asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of 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, if necessary, grouped 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 inflation.

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 book value of the assets concerned is written down to estimated market value less costs of disposal. When negotiations are ongoing, this is determined based on the best estimate of their outcome as of the balance sheet date.

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

1.5.8 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 whether or not a lease transfers substantially all the risks and rewards incidental to ownership: whether (i) the lease 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 estimated economic life of the asset; and (iv) the asset is of a highly specialized nature. A comparison is also made between the present value of the minimum lease payments and the fair value of the asset concerned.

1.5.8.1 Accounting for finance leases

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

1.5.8.2 Accounting for operating leases

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

1.5.8.3 Accounting for arrangements that contain a lease

IFRIC 4 deals with the identification of services and take-or-pay sales or purchase 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 would 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.

This interpretation applies to some contracts with industrial or public customers relating to assets financed by the Group.

1.5.9 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.

1.5.10 Financial instruments

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

1.5.10.1 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.

A. Available- for- sale securities

Available-for-sale securities include the Group's investments in non-consolidated companies and shareholders' equity or debt instruments that do not satisfy the criteria for classification in another category (see below).

These items are measured at fair value on initial recognition, which generally corresponds to the acquisition cost plus transaction costs.

At each balance sheet date, available-for-sale securities are measured at fair value. For listed companies, fair value is determined based on the quoted market price at the balance sheet date. For unlisted companies, fair value is measured based on standard valuation techniques (reference to similar recent transactions, discounted future cash flows, etc.).

Changes in fair value are recognized directly in shareholders' equity, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment if needed. In this case , loss is recognized in income under "Impairment". Only impairment losses recognized on debt instruments (debt securities/bonds) may be reversed through income.

B. Loans and receivables carried at amortized cost

This item primarily includes loans and advances to associates or non-consolidated companies, and guarantee deposits.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each balance sheet date, they are measured at amortized cost using the effective interest rate method.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. This item includes amounts due from customers under construction contracts (see section 1.5.13).

C. Financial assets measured 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 1.5.11). The financial assets are measured at fair value at the balance sheet date and changes in fair value are recorded in the income statement.

1.5.10.2 Financial liabilities

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

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

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

A. 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 premiums/discounts, redemption premiums/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. Subsequently, the debt is recorded at amortized cost using the effective interest method, while the derivative is measured at fair value, with changes in fair value recognized in income.

B. Put options on minority stakes

Other financial liabilities primarily include put options granted by the Group to minority interests. As no specific guidance is provided by IFRS, the Group has adopted the following accounting treatment for these commitments:

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

With fixed-price put options, the liability equals the present value of the exercise price. With fair-value or variable-price put options, the liability is calculated based on the estimated fair value at the balance sheet date or in accordance with the contractual methodology for determining the exercise price based on the most recently available information.

The difference between liabilities and the carrying amount of minority interests is recognized in full as goodwill, with no allocation to valuation differences, in accordance with the accounting policy retained by the Group for recognizing acquisitions of minority interests.

1.5.10.3 Derivatives and hedge accounting

The Group uses financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates, foreign currency exchange rates and commodity prices. Use of derivative instruments is governed by a Group policy for managing interest rate , currency and commodity risks.

A. Definition and scope of derivative financial instruments

Derivative financial instruments are contracts whose value changes in response to the change in one or more observable variables that do not require any material initial net investment and that are settled at a future date.

Derivative instruments therefore include swaps, options and futures, as well as forward commitments to purchase or sell listed and unlisted securities.

B. Hedging instruments: recognition and presentation

Derivative instruments qualifying as hedging instruments are recognized in the balance sheet and measured at fair value. However, their accounting treatment varies according to whether they are classified as:

- a fair value hedge of an asset or liability;
- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognized asset or liability, such as a fixed-rate loan or borrowing, or of assets, liabilities or an unrecognized firm commitment denominated in a foreign currency.

The gain or loss from re-measuring 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 which changes in fair value are recognized in shareholders' equity. These two adjustments are presented net in the 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 consolidated 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 shareholders' equity, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in shareholders' equity are reclassified to the 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/expense 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 shareholders' 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 shareholders' equity, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in shareholders' equity are transferred to the consolidated income statement when the investment is sold or liquidated.

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 fiscal years for which the hedge was designated. Hedges are considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item are offset within a range of 80%-125%.

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in the fair value or cash flows between the hedging instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used.

1.5.10.4 Derivative instruments not qualifying for hedge accounting: recognition and presentation

These items mainly concern derivative financial instruments used in economic hedges that have not been — or are no longer — documented as hedging relationships for accounting purposes.

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, changes in fair value are recognized directly in income, under "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.

Measurement of fair value

The fair value of listed instruments is determined based on the market price. The fair value of non-listed financial instruments for which listed instruments of a similar nature and maturity exist is determined based on the market price for these instruments.

For other non-listed instruments, the fair value is determined using valuation methods such as those retained for options or using the discounted cash flow method.

These methods take into consideration assumptions based on market data:

- the fair value of interest rate swaps is calculated based on discounted future cash flows;
- the fair value of forward exchange contracts and currency swaps is calculated based on current prices for contracts with similar maturity profiles by discounting the differential of future cash flows (the difference between the forward price of the contract and the recalculated forward price based on new market conditions applied to the nominal amount);
- the fair value of currency or exchange rate options is determined using valuation techniques for options;
- for complex contracts entered into with independent financial institutions, the Group uses valuations carried out by counterparties on an exceptional basis.

1.5.11 Cash and cash equivalents

These items include cash equivalents as well as short-term investments that are considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts are not included in the calculation of cash and cash equivalents and are recorded under "Short-term borrowings".

1.5.12 Treasury shares

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

1.5.13 Construction contracts

The engineering operations carried out by Degrémont and OIS fall within the scope of IAS 11 — Construction Contracts.

In accordance with IAS 11, the Group applies the percentage of completion method as described in section 1.5.16 ("Revenues") to determine the contract revenue and costs to be recorded in the consolidated income statement for each period.

When it is probable that total contract costs will exceed total contract revenue, the expected loss to completion is recognized as an expense immediately.

Partial payments received under construction contracts before the corresponding work has been carried out are recorded on the liabilities side of the balance sheet as advances received from customers. The costs incurred plus any recognized profit less any recognized losses and progress billings are then determined. If this amount is positive, it is recognized as an asset under "Amount due from customers under construction contracts" within "Trade and other receivables". If the amount is negative, it is recognized as a liability under "Amount due to customers under construction contracts" within "Trade and other payables".

1.5.14 Share-based payment

Under IFRS 2, the Group is required to recognize an expense corresponding to benefits granted to employees in the form of share-based payments, in consideration for services provided. These services are valued at the fair value of the instruments awarded.

This payment may take the form of instruments paid in shares or in cash.

Equity-settled instruments

1.5.14.1 Stock option plans

SUEZ options granted to Group employees are measured on the grant date using a binomial pricing model, which takes into account the characteristics of the plan concerned (exercise price, fiscal year), 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, with a corresponding adjustment in shareholders' equity.

1.5.14.2 Allotment of bonus shares

The fair value of bonus share plans is estimated based on the share price on the allotment date, taking into account the absence of dividend payments over the vesting period, the turnover rate for the relevant staff in each plan and the likelihood of the Group's performance. The estimation of the fair value of the plans also takes account of the holding period for these instruments. The cost is spread over the vesting period with a corresponding adjustment in shareholders' equity.

1.5.14.3 Employee share purchase plans

Employee share purchase plans enable employees to subscribe to company shares at a lower-than-market price. The fair value of the instruments awarded by employee share purchase plans is estimated on the allotment date based on the employee discount and the holding period for subscribed shares. The expense is recorded as is, with a corresponding adjustment in shareholders' equity.

Cash-settled instruments

In certain cases where local legislation prohibits employee share purchase plans, share appreciation rights (SAR) are granted instead. As these instruments are settled in cash, their fair value is recognized in expenses over the vesting period, with a corresponding adjustment in employee liabilities. Changes in the fair value of the liability are recorded in income for each fiscal year.

1.5.15 Provisions

1.5.15.1 Employee benefit provisions and other long-term benefits

Depending on the laws and practices in force in the countries where SUEZ Environnement Company 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 accordance 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. 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 employee benefit obligations, the Group has elected to use the option available under IAS 19 and to discontinue the corridor method.

Actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments are henceforth recognized directly in equity and are shown in a statement of recognized income and expense (SORIE). Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

However, actuarial gains and losses on other long-term benefits such as long-service awards, continue to be recognized immediately in income.

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

1.5.15.2 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 site restoration costs relating to the waste services business. 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 restore a site. The counterpart for this provision is included in the carrying amount of the asset concerned (see Note 1.5.5). Adjustments to the provision due to subsequent changes in the expected outflow of resources, the site rehabilitation 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 fiscal year.

1.5.16 Revenues

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

- water services;
- waste services;
- engineering and construction contracts and other services.

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 related receivables 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 Water services

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

For wastewater services and wastewater treatment, the price of the services is either included in the water supply invoice or specifically invoiced to the relevant local authority or industrial client.

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

1.5.16.2 Waste services

Revenues arising from waste collection are generally 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.

1.5.16.3 Engineering and construction contracts and other services

Revenues from construction contracts are determined using the percentage of completion method and more generally according to the provisions of IAS 11 (see section 1.5.13). 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 contract, or on the physical progress of the contract based on factors such as contractually defined stages. This item also includes income from financial concession assets (IFRIC 12) and 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” (in accordance with CNC Recommendation 2004-R02 on income statements, cash flow statements and statements of changes in shareholders’ equity). Current operating income is a sub-total which helps management to better understand the Group’s performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. Such elements relate to asset impairments and disposals, restructuring costs, the cost of listing SUEZ Environnement Company on the stock market, 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 an entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;

- the cost of listing SUEZ Environnement Company on the stock market concerns fees payable to external service providers working on the stock market listing project and costs linked to changes in the brand and visual identity;

- 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.

1.5.18 Cash flow statement

The Group cash flow statement is prepared based on net income, using the indirect method.

"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.

The flows related to payment of tax are treated separately.

1.5.19 Tax

The Group computes taxes in accordance with prevailing tax legislation in the countries where income is earned.

In accordance with IAS 12, deferred taxes are recognized according to the liability method on temporary differences between the book values of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the balance sheet date. However, under the provisions of IAS 12, no deferred taxes are recognized for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or 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 overall income of the companies included in the relevant tax consolidation group and the net position of each fiscal entity is recorded on the balance sheet under assets or liabilities, as appropriate.

Deferred taxes are reviewed at each balance sheet date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

1.5.20 Earnings per share

Basic income per share is calculated by dividing the net income Group share for the fiscal year by the number of shares constituting the capital of SUEZ Environnement Company.

The number of shares taken into consideration to calculate the consolidated net income per share is the number of shares of SUEZ Environnement Company at the time of listing, adjusted by the number of treasury shares (see section 1.5.12 on treasury shares).

Note 2 – Major transactions

2.1 Significant events in 2008

2.1.1 Major consequences for the Group following the merger between SUEZ and Gaz de France

The merger between SUEZ and Gaz de France, announced publicly in February 2006, materialized through decisions made on July 16, 2008 at the respective Combined Ordinary and Extraordinary Shareholders' Meetings of Gaz de France and SUEZ. The merger became effective on July 22 , 2008. The major consequences for SUEZ Environnement are as follows :

Initial stock market listing of SUEZ Environnement Company

As part of the merger between SUEZ and Gaz de France, SUEZ decided to complete the combination of all its environment-related activities within a new company, SUEZ Environnement Company. SUEZ contributed all of its shares of SUEZ Environnement to the new company and distributed 65% of the capital of the Company to the shareholders of SUEZ before the merger.

After this distribution, the merged entity GDF SUEZ held 35.41% of SUEZ Environnement Company and maintained exclusive control of it through a shareholders' agreement grouping GDF SUEZ and the key shareholders of the former SUEZ group (GBL, Areva, CNP Assurances, Sofina, Caisse des Dépôts et Consignations), together representing 47.16% of the capital of SUEZ Environnement Company as of July 22, 2008.

On the effective date of the merger of SUEZ and Gaz de France, July 22, 2008, the shares of SUEZ Environnement Company were admitted for trading on the Euronext Paris and Euronext Brussels stock markets.

Two months after its initial listing, on September 22, 2008, SUEZ Environnement Company joined the CAC 40 stock market index, which groups the 40 most important stocks in the French economy.

Reclassification of environmental branch interests under SUEZ Environnement Company or some of its subsidiaries

During 2008, the Group acquired the following shares from SUEZ S.A. or some of its subsidiaries:

- 100% of the shares of the Moroccan company Eaux de l'Oum Er Rbia for a price of €8.2 million. This company operates a water production activity on behalf of Lydec. The company Eaux de l'Oum Er Rbia is now fully consolidated in the consolidated financial statements;

- 44.42% of the shares of Calédonienne des Eaux (water distribution operations) for a price of €12.3 million. The Group now holds 100% of this company, which is fully consolidated in the consolidated financial statements;

- 53% of the New Caledonian company Sadet (water distribution operations) for a price of €5.3 million. The Group now holds 100% of this company, which is fully consolidated in the consolidated financial statements;

- 51% of the shares of Consortium Intesa Aretina, a holding company owning 46% of the company operating the water distribution concession for the city of Arezzo, Italy, for a price of €14 million;

- 100% of the capital of the Australian holding company Lyonnaise Prospect (holding 51% of the rights of Prospect Water Partnership, the entity operating a drinking water concession contract in Sydney) for a price of €22.4 million;

- the entirety of the shares still held in the Argentine company Aguas Cordobesas (drinking water distribution concession in the province of Cordoba), representing 5% of the capital.

As indicated in the basis of presentation (Note 1.1), these combinations were analyzed as asset exchange transactions between entities under common control and have thus been recorded at their historical book value in SUEZ's consolidated financial statements.

Synthetic Argentinean contract

On June 5, 2008, SUEZ and SUEZ Environnement signed a 20-year agreement involving the economic transfer in favor of SUEZ Environnement of the rights and obligations associated with SUEZ's equity interests in the Argentine companies Aguas Argentinas and Aguas Provinciales de Santa Fe. Despite this, according to this agreement, GDF SUEZ S.A. remains the only company in the GDF SUEZ group to own shares of these two companies. The shares of these two companies could not be reclassified given their particular situations and the litigation in progress (see section 29.3 of this document).

The economic transfer of the rights and obligations was part of the reclassification under SUEZ Environnement of all of SUEZ's environment-related assets prior to the GDF SUEZ merger and the spin-off distribution of SUEZ Environnement Company shares.

The main provisions of this agreement set out the following:

- SUEZ will bear all costs of any type resulting from the ownership of the shares of these two companies up to the residual amount of the provision for risks and contingencies appearing in SUEZ's consolidated financial statements as of December 31, 2007;

- SUEZ Environnement would bear the excess of these costs over this amount;

- If all of these costs should prove to be less than the amount set aside in the provision, then SUEZ would repay an amount equal to the unused balance of this provision to SUEZ Environnement;

- SUEZ will repay to SUEZ Environnement any sum that it might collect in connection with ongoing or future proceedings.

Withdrawal of SUEZ Environnement, Lyonnaise des Eaux France, and SITA France from SUEZ Alliance GIE

The companies SUEZ Environnement, Lyonnaise des Eaux France, and Sita France were members of the economic interest group (GIE) SUEZ Alliance at 6% each, which grouped SUEZ with its main subsidiaries. GIE SUEZ Alliance has obtained several bank and bond borrowings and has also served as guarantor for certain bond borrowings, loan agreements and derivatives contracts.

As part of the spin-off distribution, SUEZ Environnement, Lyonnaise des Eaux France, and Sita France were expected to withdraw from GIE SUEZ Alliance. This withdrawal took place in October 2008.

The articles of incorporation of GIE SUEZ Alliance stipulate that any member may withdraw, on request, provided that it has fulfilled all its obligations and repaid all its debts to GIE SUEZ Alliance and its members, and no longer benefits from any guarantees provided by GIE SUEZ Alliance.

In accordance with the provisions of the articles of incorporation of the GIE SUEZ Alliance, an outgoing member of GIE SUEZ Alliance remains jointly liable for the commitments made by GIE SUEZ Alliance prior to the date of withdrawal, except with respect to the creditors of GIE SUEZ Alliance who have waived this joint liability. With this backdrop, and with the exception of commercial paper issued by SUEZ Finance and guaranteed by GIE SUEZ Alliance (guaranteed by SUEZ in favor of outgoing members), a waiver of the outgoing members' unlimited joint and several liability was requested and obtained from GIE SUEZ Alliance’s creditors for debts and commitments assumed in connection with borrowings and contracts entered into or guarantees provided by GIE SUEZ Alliance, as well as for any action against them.

The impact on earnings of the withdrawal from GIE SUEZ Alliance was an expense of €4.5 million.

Tax consequences

From a tax perspective, the spin-off distribution of the SUEZ Environnement shares led to two types of consequences.

First, starting from January 1, 2008, a tax consolidation group was created in France between SUEZ Environnement Company and all its French subsidiaries that were included in the scope of the former SUEZ tax consolidation. The creation of this tax group led SUEZ Environnement Company to enter into tax consolidation agreements with each of the member companies in the scope of the tax consolidation.

Secondly, on the basis of article 233 I 7 of the French General Tax Code, an approval decision was granted involving the transfer to SUEZ Environnement of a maximum of €464 million in tax losses to which the subsidiaries joining the scope of SUEZ Environnement Company's tax consolidation contributed.

However, on December 31, 2008, this amount was updated in order to take into account any reassessments and proposed reassessments relating to the consolidation period in SUEZ tax group. This fraction of the losses was thus reduced to €432 million due to reassessments and proposed reassessments affecting members companies of the SUEZ tax group, whether these member companies were part of the Environmental division or other divisions of the former SUEZ tax group (including SUEZ itself).

Lastly, as a result of the above, a deferred tax asset of €148.8 million was recognized through a double entry to tax income recognized in the consolidated income statement as of December 31, 2008.

2.1.2 Public tender offer for the minority interests in Sociedad General de Aguas de Barcelona (Agbar)

The joint tender offer from Hisusa, SUEZ Environnement, SUEZ Environnement España, and Criteria Caixa Corp for all of the Agbar shares not yet held by them was successfully closed on January 16, 2008. Following this transaction, the bidders owned 90.01% of the share capital, divided as follows:

- Hisusa (proportionately consolidated company): 66.44%;
- SUEZ Environnement and SUEZ Environnement España (fully consolidated companies): 12.02%;
- Criteria Caixa Corp. (non-group): 11.55%;

Shortly thereafter, the bidders reduced their holding in Agbar to 90.00%.

As indicated in Note 2.2.1 below, the Group had recognized a €918 million financial liability in its 2007 consolidated financial statements representing the group's share (51%) of the tender offer for all of the Agbar shares.

Considering the success rate achieved in January 2008, in the end the investment represented €708 million, generating a €210 million reduction in the financial liability , a €109 million reduction in goodwill, and an increase in minority interest of €101 million.

2.1.3 Disposal by Agbar of shares held in SUEZ S.A.

In May 2008, Agbar sold the balance of the SUEZ S.A. shares that it held. The impact of the capital gain from the sale was €42 million on the Group's consolidated net income from ordinary activities and €25.5 million on its net income group share.

2.1.4 Disposal by SUEZ Environnement of its equity interest in Indaver:

On November 25, 2008, SUEZ Environnement sold its entire stake (14.9%) in Indaver NV , a Belgian waste treatment company , to the majority shareholder, Delta NV.

2.1.5 Acquisitions

On August 1, 2008, SUEZ Environnement acquired Utility Service Company Inc. (USC) through its subsidiary SUEZ Environnement North America. USC, with its headquarters in the state of Georgia and operations throughout the United States, is a national leader in the management of maintenance services for water storage tanks on behalf of local entities. Utility Services Group's consolidated revenues for the period from August 1 through December 31, 2008 amounted to €34.2 million.

Sita France acquired the company Boone Comenor Metalimpex in September 2008.This company specializes in the recycling and recovery of ferrous and non-ferrous metals in France and abroad. Consolidated revenues corresponding to the last quarter of 2008 totaled €39 million.

Sita France acquired the Val Horizon group (the environmental division of the Fayolle group) in July 2008.Val Horizon's business focuses on waste collection and treatment for local authorities mainly in France's Val d’Oise region (Paris area). Consolidated revenues corresponding to the last quarter of 2008 amounted to €19 million.

In July 2008 the Group acquired 50% of the shares of the company Suyu through its subsidiary SUEZ Environnement Hong Kong. This company owns 15% of the Chongqing Water Group (CWG). CWG is the leader in water and sanitation services in the province of Chongqing, in the People's Republic of China.

Sita Deutschland Gmbh acquired 68.4% of the company BellandVision in January 2008.BellandVision is a major player in the packaging recycling market in Germany. BellandVision's 2008 consolidated revenues totaled €30.3 million.

SUEZ Environnement acquired 25% of the shares of Sita Sverige (Sweden) from the German group E.ON. The Group now holds all of the shares of the company since June 30, 2008.

Agbar, consolidated in the balance sheet at 51% by SUEZ Environnement, purchased 53.5% of the shares of ESSAL (Empresa de Servicios Sanitarios de Los Lagos, S.A.) in July 2008 for €55.3 million (Group share). Essal specializes in wastewater treatment and in the distribution of drinking water in the regions of Los Lagos and Los Rios in Chile.

2.1.6 Agreement with Veolia Environnement to withdraw from the equity interests in joint subsidiaries

On December 19, 2008, a memorandum of understanding was signed between Veolia Eau – Cie Générale des Eaux, a subsidiary of Veolia Environnement, and Lyonnaise des Eaux, a subsidiary of SUEZ Environnement, intended to withdraw from their direct and indirect joint equity interests in certain drinking-water distribution and sanitation companies. This decision of the two groups refers to the decision of the French Competition Commission of July 11, 2002 (see Note 29.1).

2.2 Significant events in 2007

2.2.1 Public tender offer for the minority interests in Sociedad General de Aguas de Barcelona (Agbar)

On October 1, 2007, SUEZ Environnement SA, Criteria Caixa Corp. and their jointly-owned entity Hisusa filed a public offering for all of the Agbar shares they did not already own with the Spanish stock market authority (CNMV). The CNMV authorized this offer on December 27, 2007, making the offer irrevocable and binding.

With this backdrop, and considering the timing, nature and characteristics of the offer, the Group considered that it had made an irrevocable commitment to the minority shareholders as of December 31, 2007. The Group therefore recognized a €918 million financial liability in its 2007 financial statements , representing the group's share (51%) of the public offering for all of the Agbar shares and as double entry a €424 million decrease in minority interest and a €494 million increase in goodwill.

2.2.2 Acquisitions

The group acquired 2.9% of Agbar from various third parties in 2007 for a total of €117 million before the public offering was initiated.

SUEZ Environnement acquired 33% of the shares of Aguas de Valencia in Spain from third parties for €135 million and 14.9% of the shares of Indaver (Belgian waste treatment company) from another entity of the SUEZ group for €70 million.

Sita in the United Kingdom purchased 100% of the company Easco from third parties. Easco specializes in metals recycling and posted 2006 revenues of over €110 million.

2.2.3 Disposals

In 2007, the Agbar group sold all of the shares that it held in Applus, a group specializing in inspection and certification activities, for €276 million (Group share).

2.3 Significant events in 2006

2.3.1 Withdrawal from Argentina

Following the termination of the Buenos Aires concession contract (held by Aguas Argentinas) by the Argentine Government on March 21, 2006, all of the operating assets used by the Group under this contract were confiscated. All of the resources and workforce employed in connection with the concession were fully taken over by the state-owned company, AYSA. Aguas Argentinas was placed under judicial administration (*concurso preventivo*) in May 2006. Consequently, the contribution of Aguas Argentinas to the consolidated financial statements for the fiscal year 2006 was limited to the first two months of the year. It should be reiterated that the corresponding assets were fully written down in the fiscal year 2005 consolidated financial statements (see Note 29).

2.3.2 Acquisitions

In 2006, the Group made the following significant acquisitions:

- Agbar acquired 100% of the company Bristol Water in England (water distribution, regulated activity) for a purchase price in the consolidated financial statements of €130.9 million;

- Agbar also acquired 100% of the RTD group (inspection and certification activities in several countries) for a purchase price in the consolidated financial statements of €91.2 million;

- through its Ondeo Italia subsidiary, the Group purchased additional shares of the company Acea (water, gas, and electricity in Italy), a company listed on the Milan stock market, for €21 million. As of December 31, 2006, Ondeo Italia held 4.91% of Acea;

- SUEZ Environnement also purchased 50% of the company Star in order to own 100% of it for €29 million;

- Sino-French Water Development (SFWD) acquired a 50% equity interest in the contracts of Changshu and Chongquing Sewage in China for €44 million in the consolidated financial statements. SUEZ Environnement Company group holds 50% of SFWD.

2.3.3 Disposals

SUEZ Environnement sold 49% of its Indonesian subsidiary PT Pam Lyonnaise Jaya in July 2006. SUEZ Environnement is still a 51% majority shareholder.

The Group sold its entire equity interest in Teris LLC through its subsidiary in the United States to the company Clean Harbors.

The Group sold three of its Ondeo Industrie Services subsidiaries in Germany.

Note 3 – Segment information

The Group early adopted IFRS 8 – Operating Segments in 2008. In accordance with the provisions of this standard, the segments used below to present segment information have been identified based on internal reporting, in particular those segments monitored by the Group Management Committee, comprised of the Group's key operational decision-makers.

The Group uses four operating segments:

- water Europe;

- waste Europe;

- international;

- others.

A distinction is made between the water distribution and water treatment services and the waste collection and waste treatment services in Europe.

The activities conducted internationally are grouped together and separated from those conducted in the Europe region. This specific segmentation reflects the difference in development strategy implemented internationally compared to the strategy pursued in Europe and is consistent with the Group's internal organizational systems and management structure.

3.1 Operating segments

SUEZ Environnement Company’s subsidiaries are divided into the following operating segments:

- water Europe: water distribution and treatment services, particularly under concession contracts (water management). These services are provided to individuals, local authorities and industrial clients;

- waste Europe: waste collection and treatment services for local authorities and industrial clients. These services include collection, sorting, recycling, composting, energy recovery and landfilling for both non-hazardous and hazardous waste;

- international: the Group is expanding in these business segments, depending on the opportunities that may arise, in the areas of water, waste and engineering services, with a special focus on risk-management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments.

The "Others" segment is made up of holding companies (SUEZ Environnement Company) and also includes the operations eliminated from the first three operating segments.

3.2 Key indicators by operating segment

Revenues

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in millions of euros)	Non-group	Group	Total	Non-group	Group	Total	Non-group	Group	Total
Water Europe	3,853.1	12.1	3,865.2	3,903.5	13.3	3,916.8	3,816.7	11.1	3,827.8
Waste Europe	5,727.9	42.3	5,770.2	5,511.0	47.2	5,558.2	4,903.1	41.8	4,944.9
International	2,765.4	32.4	2,797.8	2,609.6	35.4	2,645.0	2,713.3	36.9	2,750.2
Other	17.3	32.9	50.2	10.0	26.0	36.0	13.5	23.5	37.0
Intercompany eliminations		(119.7)	(119.7)		(121.9)	(121.9)		(113.3)	(113.3)
Total revenues	**12,363.7**	**0.0**	**12,363.7**	**12,034.1**	**0.0**	**12,034.1**	**11,446.6**	**0.0**	**11,446.6**

EBITDA

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Water Europe	811.6	809.5	757.5
Waste Europe	924.0	902.6	827.7
International	418.8	391.8	397.7
Other	(52.5)	(42.5)	(45.4)
Total EBITDA	**2,101.9**	**2,061.4**	**1,937.5**

Current operating income

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Water Europe	415.4	413.5	396.3
Waste Europe	468.9	459.0	423.8
International	282.3	270.1	284.9
Other	(107.5)	(81.2)	(44.6)
Total current operating income	**1,059.1**	**1,061.4**	**1,060.4**

Depreciation and amortization

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Water Europe	(232.6)	(248.2)	(236.8)
Waste Europe	(433.3)	(410.5)	(380.9)
International	(124.5)	(130.3)	(125.1)
Other	(2.0)	(2.1)	(2.4)
Total depreciation and amortization	**(792.4)**	**(791.1)**	**(745.2)**

Capital employed

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Water Europe	3,208.5	3,292.3	2,977.9
Waste Europe	4,118.4	3,954.7	3,465.3

International	2,639.1	2,007.9	1,853.1
Other	160.4	28.6	(1.3)
Total capital employed	**10,126.4**	**9,283.5**	**8,295.0**

Investment in property, plant and equipment, intangible assets and financial assets

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Water Europe	(719.8)	(534.6)	(572.4)
Waste Europe	(889.8)	(758.5)	(543.1)
International	(555.1)	(315.6)	(292.2)
Other	(434.7)	(260.4)	(45.2)
Total investments	**(2,599.4)**	**(1,869.1)**	**(1,452.9)**

3.3 KEY INDICATORS BY GEOGRAPHICAL AREA

The indicators below are analyzed by:

- destination of products and services sold for revenues;
- geographical location of the subsidiaries for capital employed.

	Revenues			Capital employed		
(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
France	5,522.0	5,244.2	4,453.6	2,509.8	1,971.0	1,639.2
Europe	4,972.6	5,052.2	4,556.0	5,378.6	5,447.6	4,846.1
International	1,869.1	1,737.7	2,437.0	2,238.0	1,864.9	1,809.7
Total	**12,363.7**	**12,034.1**	**11,446.6**	**10,126.4**	**9,283.5**	**8,295.0**

3.4 EBITDA reconciliation

Reconciliation of EBITDA with current operating income

(IN MILLIONS OF EUROS)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Current operating income	1,059.1	1,061.4	1,060.4
- Depreciation, amortization and provisions	(776.0)	(754.9)	(679.8)
- Share-based payments (IFRS 2)	(53.4)	(37.2)	(4.5)
- Disbursements under concession contracts	(213.4)	(207.9)	(192.8)
EBITDA	**2,101.9**	**2,061.4**	**1,937.5**

Reconciliation of EBITDA with 2006 and 2007 Gross operating income

In fiscal years 2007 and 2006, the Group used a management indicator called “Gross Operating Income” (*Résultat Brut d’Exploitation*), which had a slightly different definition than EBITDA, used by the Group in 2008.The reconciliation between these two indicators for 2007 and 2006 is presented as follows:

'(IN MILLIONS OF EUROS)	Dec. 31, 2007	Dec. 31, 2006
Gross Operating Income - previous definition	2,103.6	1,985.4
(+) Net depreciation , amortization and provisions for long-term employee benefits	12.2	
(-) Financial income excluding interest	(31.8)	(27.2)

(-) Share in net income of associates	(22.6)	(20.7)
EBITDA	**2,061.4**	**1,937.5**

3.5 Reconciliation of capital employed

(IN MILLIONS OF EUROS)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
(+) Tangible and intangible assets	8,073.0	7,631.5	7,411.1
(+) Goodwill (net)	2,897.5	2,720.2	2,244.2
(+) Available-for-sale securities (excluding marketable securities)	682.5	756.0	560.3
(+) Investments in associates	265.6	237.7	220.9
(+) Trade and related receivables	3,588.4	3,147.5	3,083.9
(+) Inventories	245.9	242.5	245.9
(+) Loans and advances to associates	671.6	582.4	652.3
(+) Other current and non-current assets	992.6	820.6	730.5
(-) Provisions	(1,328.0)	(1,296.4)	(1,379.6)
(-) Trade and related payables	(3,863.7)	(3,714.7)	(3,852.9)
(-) Other current and non-current liabilities	(2,170.6)	(1,812.1)	(1,649.0)
(-) Other financial liabilities	(18.9)	(2.3)	(2.6)
(-) Actuarial losses/gains on pension plans	90.5	(29.4)	30.0
Capital employed	**10,126.4**	**9,283.5**	**8,295.0**

Note 4 – Current operating income

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Revenues	12,363.7	12,034.1	11,446.6
Purchases	(2,677.2)	(2,210.1)	(2,384.4)
Personnel costs	(3,062.2)	(3,140.1)	(2,967.4)
Depreciation, amortization and provisions	(776.0)	(754.9)	(679.8)
Other operating income and expenses	(4,789.2)	(4,867.6)	(4,354.6)
Current operating income	**1,059.1**	**1,061.4**	**1,060.4**

4.1 Revenues

Group revenues per category (see Note 3.2) break down as follows:

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Sale, transport and distribution of electricity	415.4	412.6	348.2
Water and waste	10,715.1	10,527.7	9,959.7
Engineering and construction contracts and services	1,233.2	1,093.8	1,138.7
Total	**12,363.7**	**12,034.1**	**11,446.6**

The increase in revenues from “Engineering contracts, construction contracts and services” in 2008 was mainly due to the addition of Degrémont Middle East in the scope of consolidation.

The increase in 2008 revenues for “Water and Waste” was mainly due to SITA France, stemming from the addition of several companies to the scope of consolidation and the increase in treatment activities.

4.2 Personnel costs

The net costs relating to pension plans (defined benefit and defined contribution) are presented in Note 19.

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Salaries and expenses/retirement expenses	(3,009.3)	(3,091.8)	(2,946.9)
Share-based payments	(52.9)	(48.3)	(20.5)
Total	**(3,062.2)**	**(3,140.1)**	**(2,967.4)**

Share-based payments are disclosed in Note 25.

4.3 Depreciation, amortization and provisions

Amounts are shown below net of reversals.

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Depreciation and amortization	(792.4)	(791.1)	(745.2)
Depreciation of inventories and trade receivables	(24.0)	(3.5)	13.1
Provisions	40.4	39.7	52.3
Total	**(776.0)**	**(754.9)**	**(679.8)**

Depreciation and amortization include €617.6 million for property, plant and equipment and €174.8 million for intangible assets. The breakdown by asset type is found in Notes 10 and 11.

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Other operating income	59.6	86.1	153.4
Other operating expenses	(4,848.8)	(4,953.7)	(4,508.0)
Sub-contracting	(1,516.2)	(1,498.9)	(1,330.7)
Other expenses	(3,332.6)	(3,454.8)	(3,177.3)
Total	**(4,789.2)**	**(4,867.6)**	**(4,354.6)**

"Other expenses" mainly include the following types of costs: rental expenses, external personnel, professional fees and compensation of intermediaries, and taxes, excluding corporate income tax.

Note 5 - Income from operating activities

(in millions of euros)	December 31, 2008	December 31, 2007	December 31, 2006
Current operating income	**1,059.1**	**1,061.4**	**1,060.4**
Mark-to-market on operating financial instruments	3.2	(5.7)	(1.9)
Impairment of tangible, intangible and financial assets	(1.7)	(35.4)	(53.9)
Restructuring costs	(20.9)	(12.3)	1.0
Expenses linked to Initial Public Offering	(50.8)		
Disposal of assets	46.9	181.4	149.7
Income from operating activities	**1,035.8**	**1,189.4**	**1,155.3**

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

The Group's €3.2 million contribution to income from operating activities is essentially the result of the following items:

• to optimize their margins, certain SUEZ Environnement Company entities have implemented economic hedging strategies using forward contracts traded on wholesale markets. These contracts aim to reduce the sensitivity of the Group's margins to fluctuations in commodities prices. However, as these contracts cover the entities' net exposure to price risk , they are not eligible for hedge accounting under IAS 39 – "Financial Instruments: Recognition and Measurement." Consequently, all changes in the fair value of the forward contracts concerned must be reflected in the income statement;

• gains and losses are recorded in the income statement in respect of the ineffective portion of future cash flow hedging strategies on non-financial assets (cash flow hedges).

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

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Impairment of assets:			
Goodwill	(4.6)	(0.8)	(8.2)
Property , plant and equipment and other intangible assets	(12.0)	(29.4)	(39.8)
Financial assets	(9.6)	(15.4)	(16.0)
Total	**(26.2)**	**(45.6)**	**(64.0)**
Write-back of impairments:	**24.5**	**10.2**	**10.1**
Total	**(1.7)**	**(35.4)**	**(53.9)**

In the event of significant adverse events (contractual disputes, downturn in the economic environment for certain business segments or countries), the Group reviews the value in use of the assets affected and may recognize impairment losses on some of those assets.

All goodwill cash-generating units (CGUs) are tested for impairment. In 2008, impairment tests were carried out by reference to the database as at the end of June 2008 and to a review of events occurring in the second half of the year. The assessment of the recoverable amount of CGUs takes into account three scenarios: low, medium and high. The medium scenario is usually applied to compare the CGU's recoverable amount with its carrying amount.

The recoverable amounts resulting from the three scenarios (low, medium and high) are determined by changing key assumptions in the underlying models, particularly the discount rate applied. Based on events reasonably foreseeable at this time, the Group believes that any changes affecting the key assumptions described below should not result in excess book value over recoverable amounts.

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

The discount rates used in 2008 to calculate the present value of future cash flows in the impairment test ranged from 5.0% to 15.4%, compared with discount rates of between 5.2% and 15.3% in 2007, and between 5.1% and 12.3% in 2006.

5.2.1 Impairment of goodwill

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

Cash-generating units	Measurement method	Discount rates
United Water	multiples + DCF	5.00%
SITA UK	multiples + DCF	6.40%
Agbar	multiples + DCF (in the context of the Public Offering)	7.30%
Sita Nederland BV	multiples + DCF	6.60%
SITA France	multiples + DCF	6.00%
SE Deutschland GmbH	multiples + DCF	6.30%

5.2.2 Impairment of other assets

Write-downs of inventories and trade receivables are presented in Note 4, “Depreciation, amortization and provisions.”

In 2008, impairments of property, plant and equipment and intangible assets mainly arose from the Waste Europe segment (SE Deutschland and SITA Wallonie).

In 2007, the most significant impairments on property, plant and equipment and intangible assets were taken by Lyonnaise des Eaux France and the Waste Europe segment.

In 2006, impairments recognized on property, plant and equipment and intangible assets related primarily to Waste Europe and International segments (water activities in Argentina).

5.3 Restructuring costs

Like in 2007, the amount of restructuring expenses in 2008 included costs related to restructuring and site closings.

5.4 Expenses related to the Initial Public Offering and change of logo

In 2008, external service providers worked on the project to list SUEZ Environnement Company on the stock market. Professional fees associated with this work and the costs related to changing the Group’s brand and visual identity totaled €50.8 million at December 31, 2008.

This accounting treatment resulted from the technicalities of the share contribution transaction from SUEZ to SUEZ Environnement:

- as this was an internal transaction within the SUEZ group, it was conducted at book value (outside the scope of IFRS 3) insofar as there was no cash contribution from the new shareholders;

- it was treated accordingly using the pooling-of-interests method.

Consequently, costs relating to this transaction were recognized in expenses over the fiscal year.

As these items were unusual expenses of significant size , they were presented on a specific income statement line item between current operating income and income from operating activities.

5.5 Disposals of assets

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Disposals of property, plant and equipment and intangible assets	3.2	15.6	13.3
Disposal of shares	43.7	165.8	136.4
Total	**46.9**	**181.4**	**149.7**

2008 transactions:

Gain on disposals of shares was mainly due to Agbar’s sale of its SUEZ SA shares in the first half of 2008 for €42 million.

2007 transactions:

The Group sold its 53.1% stake in technological inspection and certification specialist Applus via Agbar. The capital gain recognized for this transaction in the financial statements at December 31, 2007 amounted to €124 million.

2006 transactions:

The Group sold 49% of PT Pam Lyonnaise Jaya. The capital gain on this sale totaled €44 million.

Gains from the sale of all of the Group’s interests in Teris LLC in the United States totaled €11 million in 2006.

The Group's withdrawal from Argentina also contributed to income from share disposals.

Note 6 – Financial income / (loss)

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in millions of euros)	Expenses	Income	Total	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	**(373.0)**	**42.9**	**(330.1)**	**(309.2)**	**54.8**	**(254.4)**	**(269.3)**	**51.5**	**(217.8)**
Interest expense on gross debt	(352.9)	-	(352.9)	(304.5)	-	(304.5)	(268.8)	-	(268.8)
Exchange gain/(loss) on financial debt and hedges	(5.1)	-	(5.1)	(1.1)	-	(1.1)	(0.5)	-	(0.5)
Income/(expense) from hedges on borrowings	(15.0)	-	(15.0)	(3.6)	-	(3.6)	-	2.9	2.9
Income/(expense) on financial assets at fair value through income	-	1.3	1.3	-	0.8	0.8	-	1.1	1.1
Income/(expense) on cash and cash equivalents	-	41.6	41.6	-	54.0	54.0	-	47.5	47.5
Other financial income and expenses	**(47.8)**	**48.1**	**0.3**	**(56.5)**	**48.2**	**(8.3)**	**(62.2)**	**116.0**	**53.8**
Financial Income/(Expense)	**(420.8)**	**91.0**	**(329.8)**	**(365.7)**	**103.0**	**(262.7)**	**(331.5)**	**167.5**	**(164.0)**

6.1 Net finance costs

This item primarily includes interest expenses related to gross borrowings (calculated using the effective interest rate), exchange differences arising from foreign currency borrowings, gains and losses arising from foreign currency and interest rate hedging transactions on gross borrowings, together with interest income on cash investments, and changes in the fair value of financial assets at fair value through income.

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Interest expense on gross borrowings	(352.9)	(304.5)	(268.8)
Exchange gain/(loss) on borrowings and hedges	(5.1)	(1.1)	(0.5)
Income/(expense) from hedges on borrowings	(15.0)	(3.6)	2.9
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	42.9	54.8	48.6
Total	**(330.1)**	**(254.4)**	**(217.8)**

In 2008, interest expense on gross borrowings rose due mainly to the cost of financing the Agbar shares acquired as part of the public offering finalized in January 2008.

In 2007, interest expense rose essentially due to an increase in indebtedness.

In 2006, the withdrawal from water activities in Argentina led to a reduction in interest expense on gross borrowings of €42 million.

6.2 Other financial income and expenses

(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Other financial expenses			
Reversal of discounting adjustment to provisions	(42.9)	(43.3)	(35.1)
Interest expense on trade and other payables	(8.2)	(9.4)	(4.7)
Losses on currency exchange	3.3	(3.8)	(14.4)
Other financial expenses	-	-	(8.0)
Total	**(47.8)**	**(56.5)**	**(62.2)**
Other financial income			
Income from available-for-sale securities	33.0	33.7	28.0
Interest income on trade and other receivables	13.0	11.0	0.7
Interest income on loans and receivables carried at amortized cost	5.2	2.7	0.9
Gains on currency exchange	-	-	12.7
Other financial income	(3.1)	0.8	73.7
Total	**48.1**	**48.2**	**116.0**
Other financial income and expenses	**0.3**	**(8.3)**	**53.8**

In 2006, “Other financial income” included the favorable effect from renegotiating the Aguas Argentinas debt for €57 million.

Note 7 – Income tax expense

7.1 Analysis of the income tax expense recognized in the income statement

7.1.1 Breakdown of income tax expense

The income tax expense for the fiscal year amounted to €92.7 million (compared to €273.5 million in 2007 and €276.1 million in 2006), and breaks down as follows:

(in millions of euros)	2008	2007	2006
Current income tax			
France	(39.0)	(119.4)	(130.0)
Outside France	(104.6)	(163.1)	(132.0)
Total	**(143.6)**	**(282.5)**	**(262.0)**
Deferred taxes			
France	94.9	3.2	(9.0)
Outside France	(44.0)	5.8	(5.1)
Total	**50.9**	**9.0**	**(14.1)**
Total income tax expense recognized in income	**(92.7)**	**(273.5)**	**(276.1)**

Following the contribution by SUEZ to SUEZ Environnement Company, the latter decided to create a new tax consolidation group that includes all of the environmental-sector companies previously included as members of SUEZ’s consolidated tax group, with retroactive effect to January 1, 2008.

An approval decision was handed down by the French State Finance Authorities (Direction Générale des Finances Publiques) relating to the transfer to SUEZ Environnement Company of €464 million in tax losses to which the subsidiaries joining SUEZ Environnement Company’s tax consolidation group contributed.

However, any existing or future reassessments or proposed reassessments could affect a portion of the initial amount of the loss transferred to SUEZ Environnement Company since they involve both companies that were members of the former SUEZ group and fiscal years for which these companies were actually members of this former group.

At December 31, 2008, this amount was updated in order to take into account any reassessments and proposed reassessments relating to the consolidation period in SUEZ's tax group (see Note 2). The revised amount totaled €432 million, which resulted in the recognition through income of a €148.8 million deferred tax asset, in light of the projected allocation of this tax savings to future taxable earnings within the scope of the tax consolidation group.

7.1.2 Reconciliation between the Group’s theoretical income tax expense and the actual income tax expense

(in millions of euros)	2008	2007	2006
Consolidated net income	**647.3**	**675.8**	**735.9**
- Share in net income of associates	(34.0)	(22.6)	(20.7)
- Income tax	92.7	273.5	276.1
Income before income tax and share in net income of associates(a)	**706.0**	**926.7**	**991.3**
Of which French companies	146.0	287.6	411.2
Of which companies outside France	560.0	639.1	564.1
Statutory income tax rate in France(b)	-34.43%	-34.43%	-34.43%
Theoretical income tax expense(c)	(243.1)	(319.1)	(341.3)

(c) = (a) x (b).

(in millions of euros)	2008	2007	2006
Actual income tax expense:			
Difference between the normal tax rate applicable in France and the normal tax rate applicable in jurisdictions outside France	43.2	16.2	27.7
Permanent differences	(18.5)	10.2	(15.2)
Income taxed at a reduced rate or tax-exempt	22.7	51.0	94.0
Additional tax expense	(49.0)	(25.0)	(19.4)
Effect of unrecognized deferred tax assets on tax-loss carry-forwards and on other tax-deductible temporary differences	(14.4)	(14.7)	(20.4)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	0.9	0.2	1.5
Impact of changes in tax rates	0.7	(5.3)	(8.4)
Tax credits	10.3	12.2	12.4
Other	154.5(1)	0.7	(7.0)
Actual income tax expense	**(92.7)**	**(273.5)**	**(276.1)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates)	**13.13%**	**29.51%**	**27.85%**

(1) Essentially includes the tax impact of the transfer of tax loss carry-forwards arising from the former SUEZ tax consolidation group.

The low effective tax rate in 2008 is attributable to the recognition of €148.8 million in deferred tax on the transfer of tax loss carry-forwards from the former GDF SUEZ tax consolidation group.

7.2 Income tax recorded directly in shareholders’ equity - group share

The changes in deferred taxes recognized directly in shareholders' equity and resulting from actuarial gains and losses as well as changes in the fair value of financial instruments recorded through equity amounted to €113.3 million for fiscal year 2008. The changes essentially reflect the tax impact associated with:

• the lower deferred tax liability resulting from the reduction in the fair value of the Gas Natural shares, which are categorized as assets available for sale (impact of +€81 million);

• the increase in deferred tax assets recognized on actuarial gains and losses on pension benefit obligations and related plan assets (impact of +€37.3 million).

Deferred taxes recorded through equity can be analyzed as follows by type of underlying item:

(in millions of euros)				
Type of underlying	December 31, 2008	Change	December 31, 2007	December 31, 2006
Available-for-sale securities	(3.8)	79.8	(83.6)	(49.9)
Actuarial gains and losses	25.9	37.3	(11.4)	7.3
Net investment hedges	(24.8)	(24.8)	-	-
Cash flow hedges	19.0	21.0	(2.0)	2.1
Total	**16.3**	**113.3**	**(97.0)**	**(40.5)**

7.3 Deferred tax assets and liabilities

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

	Balance sheet position at		
(in millions of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Deferred tax assets:			
Net operating loss carry-forwards and tax credits	161.3	75.6	67.0
Pension obligations	163.0	114.9	129.7
Non-deductible provisions	93.8	107.8	139.3
Measurement of financial assets and liabilities at fair value (IAS 32/39)	19.7	7.7	6.2
Concession / Right of use	98.3	79.2	80.7
Other	175.5	188.8	250.8
Total	**711.6**	**574.0**	**673.7**
Deferred tax liabilities:			
Fair value adjustments to PPE and intangible assets	(93.9)	(88.5)	(21.4)
Other differences between the carrying amount of PPE and their tax bases	(271.4)	(203.3)	(196.5)
Tax-driven provisions	(17.3)	(50.8)	(50.6)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(4.1)	(86.5)	(52.3)
Concession / Right of use	(29.0)	(2.6)	(0.7)
Other	(128.5)	(129.4)	(283.8)
Total	**(544.2)**	**(561.1)**	**(605.3)**
Net deferred tax assets	**167.4**	**12.9**	**68.4**

(in millions of euros)	Impacts in the income statement Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Deferred tax assets:			
Net operating loss carry-forwards and tax credits	78.8	(7.2)	(11.9)
Pension obligations	8.0	(1.4)	3.4
Non-deductible provisions	(4.3)	0.7	(5.3)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	24.6	-	(1.2)
Concession / Right of use	(5.8)	(0.9)	3.7
Other	(32.5)	(20.8)	1.2
Total	**68.8**	**(29.6)**	**(10.1)**
Deferred tax liabilities:			
Fair value adjustments to PPE and intangible assets	3.0	1.4	1.5
Other differences between the carrying amount of PPE and their tax bases	(25.8)	23.6	(5.2)
Tax-driven provisions	(1.8)	2.2	(0.5)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(0.2)	-	-
Concession / Right of use	(0.4)	(2.1)	1.4
Other	7.3	13.5	(1.2)
Total	**(17.9)**	**38.6**	**(4.0)**
Net deferred tax assets	**50.9**	**9.0**	**(14.1)**

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

(in millions of euros)	Assets	Liabilities	Net balance
At December 31, 2006	**673.7**	**(605.3)**	**68.4**
At December 31, 2007	**574.0**	**(561.1)**	**12.9**
Impact on income for the period	68.8	(17.9)	50.9
Impact on shareholders' equity for the period	32.5	82.4	114.9
Impact of net breakdown by tax entity	(211.5)	211.5	-
Other	36.4	(47.6)	(11.2)
At December 31, 2008	**500.2**	**(332.7)**	**167.5**

Prior to the tax consolidation at the SUEZ Environnement Company level, deferred tax assets and liabilities were netted off at the GDF SUEZ level.

7.3.2 Deductible temporary differences not recognized on the balance sheet at December 31, 2008

At December 31, 2008, unused tax losses carried forward and not recorded on the balance sheet (because they did not meet the criteria for recognition as a deferred tax asset) amounted to €332.0 million for ordinary tax loss carry-forwards (unrecognized deferred tax asset impact of €82.0 million).

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

(in millions of euros)	Ordinary tax-loss carry forwards
2009	38.9

2010	0.3
2011	0.2
2012	5.9
2013	81.9
2014 and beyond	204.8
Total	**332.0**

The amount of deferred tax assets on other unrecognized temporary differences amounted to €116.6 million at December 31, 2008.

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

No deferred tax liabilities have been 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. Furthermore, no deferred tax liabilities have been recognized for temporary differences which do not result in tax payments upon their reversal (in particular as regards the elimination of the capital gains tax in France on sales of securities with effect from January 1, 2007).

Note 8 – Earnings per share

	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Numerator			
Net income - group share (in millions of euros)	533.2	491.7	573.8
Denominator			
Average number of shares outstanding (in millions)	489.4	489.7	489.7
Income per share (in euros)			
Net income (Group share) per share	**1.09**	**1.00**	**1.17**

The company has not issued any financial instrument likely to result in the dilution in net income , group share (convertible bonds, bonus shares, stock option plans).

Note 9 - Goodwill

9.1 Movements in the carrying amount of goodwill

(in million of euros)	
A. Gross amount	
At December 31, 2005	**2,111.1**
Acquisitions	425.8
Disposals	(60.3)
Translation adjustments	(49.0)
Other	(18.0)
at December 31, 2006	**2,409.6**
Acquisitions	809.6
Disposals	(262.2)
Translation adjustments	(100.7)
Other	19.2
at December 31, 2007	**2,875.5**
Acquisitions	327.2
Disposals	0.0
Translation adjustments	(130.4)

Other	(12.2)
at December 31, 2008	**3,060.1**
B. Impairment	
at December 31, 2005	**(106.1)**
Impairment losses	(8.2)
Disposals	(66.1)
Translation adjustments	13.3
Other	1.7
at December 31, 2006	**(165.4)**
Impairment losses	(0.8)
Disposals	10.3
Translation adjustments	2.4
Other	(1.8)
at December 31, 2007	**(155.3)**
Impairment losses	(27.2)
Disposals	0.0
Translation adjustments	19.9
Other	0.0
at December 31, 2008	**(162.6)**
C. Carrying amount = A+B	
at December 31, 2006	**2,244.2**
at December 31, 2007	**2,720.2**
at December 31, 2008	**2,897.5**

In 2008, the group recognized additional goodwill on the following Business Units:

- Sita France; €163.5 million on the following acquisitions: Val Horizon, Boone Comenor Metalimpex;
- SE Deutschland (€50.8 million) mainly for the purchase of BellandVision;
- SUEZ Environnement North America (€113 million) for the purchase of 100% of Utility Services Company (USC).

The Purchase Price Allocation process of those entities acquired during 2008 was still ongoing at December 31, 2008. The amount of goodwill linked to those acquisitions may therefore change if necessary during the first half of 2009.

Finally, translation adjustments relate mainly to changes in the value of the pound sterling.

In 2007, the Group recognized goodwill of €152.2 million on various acquisitions made by SITA UK, in particular Easco. In addition, goodwill amounting to €494 million was recognized in respect of the binding commitment granted to minority shareholders of Agbar in connection with the public offering.

The decrease in goodwill is mainly attributable to Agbar's disposal of Applus.

Additional goodwill recorded in 2006 relates primarily to Agbar's acquisition of BRISTOL WATER for €118.3 million and of RTD for €87.2 million.

9.2 Goodwill segment information

The carrying amount of goodwill can be analysed by operating segments as follows:

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Water Europe	726.8	839.6	515.2
Waste Europe	1,440.7	1,302.2	1,131.1
International	730.0	578.4	598.3

Other	0.0	0.0	0.0
Total	**2,897.5**	**2,720.2**	**2,244.6**

The segment breakdown set out above is based on the operating segments of the acquired entity (and not on those of the acquirer).

At December 31, 2008, the goodwill line item amounted to €2,897.5 million; it relates mainly to the following cash-generating units (CGUs): Agbar (€637 million), SITA France (€510 million), SITA UK (€347 million), SITA Nederland BV (€234 million), SE Deutschland (€189 million), United Water (€380 million) and Utility Service Company (€113 million).

Note 10 – Intangible assets

10.1 Movements in carrying amount of intangible assets

In millions of euros	Softwares	Intangible rights arising on concession contracts	Other	Total
A. Gross amount				
At December 31, 2005	**301.6**	**2,696.5**	**345.7**	**3,343.8**
Acquisitions	47.8	155.5	22.7	226.0
Disposals	(2.6)	(6.0)	(4.0)	(12.6)
Translation adjustments	(0.1)	(34.4)	(20.8)	(55.3)
Changes in scope of consolidation	(24.9)	(166.1)	(9.0)	(200.0)
Other	2.1	88.6	5.2	95.9
At December 31, 2006	**323.9**	**2,734.1**	**339.8**	**3,397.8**
Acquisitions	15.4	117.3	26.0	158.7
Disposals	(19.1)	(20.2)	(5.9)	(45.2)
Translation adjustments	0.0	(36.4)	(3.4)	(39.8)
Changes in scope of consolidation	0.2	42.2	(8.9)	33.5
Other	1.6	31.9	(46.0)	(12.5)
At December 31, 2007	**322.0**	**2,868.9**	**301.6**	**3,492.5**
Acquisitions	28.0	148.6	10.4	187.0
Disposals	(10.0)	(16.0)	(6.6)	(32.6)
Translation adjustments	(0.5)	20.6	(4.3)	15.8
Changes in scope of consolidation	1.6	92.6 [a]	46.6 [b]	140.8
Other	4.3	(0.2)	7.6	11.7
At December 31, 2008	**345.4**	**3,114.5**	**355.3**	**3,815.2**
B. Accumulated amortization and impairment				
At December 31, 2005	**(244.2)**	**(1,234.5)**	**(100.8)**	**(1,579.5)**
Amortization	(46.2)	(159.5)	(23.0)	(228.7)
Impairment losses	0.0	(3.5)	0.0	(3.5)

Disposals	2.6	8.7	3.4	14.7
Translation adjustments	0.0	18.3	1.1	19.4
Changes in scope of consolidation	23.1	99.8	6.5	129.4
Other	6.2	(28.7)	(5.6)	(28.1)
At December 31, 2006	**(258.5)**	**(1,299.4)**	**(118.4)**	**(1,676.3)**
Amortization	(17.3)	(93.5)	(14.9)	(125.7)
Impairment losses	0.0	0.0	(2.3)	(2.3)
Disposals	19.1	18.9	5.6	43.6
Translation adjustments	0.0	17.9	1.6	19.5
Changes in scope of consolidation	0.1	(18.8)	(1.2)	(19.9)
Other	(1.4)	5.6	(22.7)	(18.5)
At December 31, 2007	**(258.0)**	**(1,369.3)**	**(152.3)**	**(1,779.6)**
Amortization	(22.8)	(131.0)	(21.0)	(174.8)
Impairment losses	0.0	0.0	(0.2)	(0.2)
Disposals	10.9	13.6	5.4	29.9
Translation adjustments	0.3	(7.4)	1.8	(5.3)
Changes in scope of consolidation	(1.2)	(19.3)	(1.3)	(21.8)
Other	0.1	(3.1)	6.8	3.8
At December 31, 2008	**(270.7)**	**(1,516.5)**	**(160.8)**	**(1,948.0)**
C. Carrying amount				
At December 31, 2006	**65.4**	**1,434.7**	**221.4**	**1,721.5**
At December 31, 2007	**64.0**	**1,499.6**	**149.3**	**1,712.9**
At December 31, 2008	**74.7**	**1,598.0**	**194.5**	**1,867.2**

(a) The recognition at fair value of the existing contract portfolio at the date Sadet was acquired following the move from proportionate consolidation to full consolidation (see Note 2) and at the date USC was consolidated resulted in an increase of €68.7 million in "Intangible Rights Arising on Concession Contracts" in the balance sheet.

(b) The change in the scope of consolidation for the “Other” intangible assets category is mainly related to the entry of BellandVision into the consolidated financial statements, which resulted in an increase of €28.0 million.

Recognized impairment losses for the period under review amounted to €0.2 million in 2008, versus €2.3 million in 2007 and €3.5 million in 2006.

10.1.1 Intangible rights arising on concession contracts

The Group manages a large number of concession contracts as defined by SIC 29 in the drinking water distribution, wastewater treatment, and waste segments. The rights granted to concession operators are accounted for as intangibles (see Note 23).

10.1.2 Non-amortizable intangible assets

Non-amortizable intangible assets amounted to €50.6 million at December 31, 2008 versus €45.7 million at December 31, 2007 and €69.8 million at December 2006, and are presented within the "Other" category.

10.2 Information on research and development expenses

Research and development activities relate to various studies regarding technological innovation, improvements in plant efficiency, safety, environmental protection and service quality.

Research and development expenses with no specific contractual right of recovery (contract, order) are expensed as incurred and amounted to €48.8 million in 2008, versus €43.7 million in 2007 and €38.9 million in 2005.

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 the carrying amount of property, plant and equipment

(in million of euros)	Land	Buildings	Plant & Equipment	Vehicles	Capitalized rehabilitation costs	Construction in progress	Other	Total
A. Gross amount								
At December 31, 2005	**1,138.6**	**2,408.4**	**3,543.4**	**1,133.1**	**445.8**	**557.3**	**1,853.0**	**11,079.6**
Acquisitions	38.6	30.3	203.4	100.0	4.3	330.3	73.6	780.5
Disposals	(19.0)	(47.8)	(92.3)	(79.0)	(0.2)	0.0	(63.8)	(302.1)
Translation adjustments	4.0	(19.1)	(102.8)	(9.7)	2.3	(9.9)	(145.4)	(280.6)
Changes in scope of consolidation	25.5	13.5	42.3	24.0	2.0	(95.7)	62.0	73.6
Other	(45.1)	(578.4)	848.2	18.1	29.7	(292.0)	78.2	58.7
at December 31, 2006	**1,142.6**	**1,806.9**	**4,442.2**	**1,186.5**	**483.9**	**490.0**	**1,857.6**	**11,409.7**
Acquisitions	39.5	45.0	357.4	118.7	3.0	347.6	27.5	938.7
Disposals	(16.8)	(16.1)	(141.5)	(89.6)	(2.5)	0.0	(39.3)	(305.8)
Translation adjustments	(48.4)	(29.3)	(75.9)	(15.3)	(10.1)	(14.2)	(142.6)	(335.8)
Changes in scope of consolidation	76.6	66.2	92.6	15.4	6.0	2.4	28.9	288.1
Other	69.1	104.6	188.5	43.5	29.5	(285.4)	(70.7)	79.1
at December 31, 2007	**1,262.6**	**1,977.3**	**4,863.3**	**1,259.2**	**509.8**	**540.4**	**1,661.4**	**12,074.0**
Acquisitions	53.1	55.8	313.9	122.4	1.5	389.3	26.9	962.9
Disposals	(44.3)	(39.3)	(148.6)	(75.6)	(3.1)	0.0	(21.7)	(332.6)
Translation adjustments	(139.3)	(37.7)	(146.0)	(58.1)	(30.5)	(3.5)	(1.2)	(416.3)
Changes in scope of consolidation	80.4	143.3	62.9	35.1	2.3	2.1	12.8	338.9
Other	45.6	(41.6)	1,348.1	39.0	5.5	(341.7)	(1,164.3)	(109.4)
at December 31,	**1,258.1**	**2,057.8**	**6,293.6**	**1,322.0**	**485.5**	**586.6**	**513.9**	**12,517.5**

2008

B. Accumulated amortization and impairment								
At December 31, 2005	**(524.5)**	**(1,197.0)**	**(1,994.0)**	**(751.1)**	**(435.2)**	**(54.6)**	**(708.6)**	**(5,665.0)**
Amortization	(52.4)	(67.8)	(210.0)	(97.7)	(6.9)	(0.5)	(81.2)	(516.5)
Impairment losses	(3.2)	(4.7)	(9.7)	(0.2)	0.0	(8.3)	(10.2)	(36.3)
Disposals	8.4	37.2	80.3	73.0	0.2	0.0	45.0	244.1
Translation adjustments	(3.9)	6.2	6.2	(0.3)	(2.3)	(0.3)	39.6	45.2
Changes in scope of consolidation	2.8	10.5	177.7	(9.0)	(1.8)	49.6	0.4	230.2
Other	5.6	476.3	(495.1)	0.3	(29.6)	2.0	18.7	(21.8)
at December 31, 2006	**(567.2)**	**(739.3)**	**(2,444.6)**	**(785.0)**	**(475.6)**	**(12.1)**	**(696.3)**	**(5,720.1)**
Amortization	(68.1)	(83.0)	(347.3)	(109.2)	(3.3)	0.0	(54.5)	(665.4)
Impairment losses	(3.6)	(3.2)	(7.3)	(0.1)	0.0	(12.9)	0.0	(27.1)
Disposals	13.3	11.7	120.6	82.9	2.6	0.0	38.5	269.6
Translation adjustments	30.6	9.9	23.3	9.4	10.1	(0.2)	37.5	120.6
Changes in scope of consolidation	(1.9)	(24.2)	(72.3)	(8.7)	(6.0)	0.0	(6.2)	(119.3)
Other	(6.5)	(30.6)	(31.6)	(4.0)	(29.5)	1.0	87.5	(13.7)
at December 31, 2007	**(603.4)**	**(858.7)**	**(2,759.2)**	**(814.7)**	**(501.7)**	**(24.2)**	**(593.5)**	**(6,155.4)**
Amortization	(64.6)	(79.1)	(318.4)	(118.7)	(2.1)	0.0	(34.7)	(617.6)
Impairment losses	(3.8)	(0.3)	(3.5)	0.0	0.0	(0.2)	(4.0)	(11.8)
Disposals	32.4	40.4	146.6	71.3	2.7	0.0	19.7	313.1
Translation adjustments	81.1	19.4	55.7	34.4	30.5	0.4	2.5	224.0
Changes in scope of consolidation	(4.4)	(41.2)	(14.8)	(21.2)	(2.4)	0.0	(7.7)	(91.7)
Other	(4.5)	4.1	(281.6)	1.0	(5.5)	20.2	294.0	27.7
at December 31, 2008	**(567.2)**	**(915.4)**	**(3,175.2)**	**(847.9)**	**(478.5)**	**(3.8)**	**(323.7)**	**(6,311.7)**
C. Carrying amount								
at December 31, 2006	**575.4**	**1,067.6**	**1,997.6**	**401.5**	**8.3**	**477.9**	**1,161.3**	**5,689.6**
at December 31, 2007	**659.2**	**1,118.6**	**2,104.1**	**444.5**	**8.1**	**516.2**	**1,067.9**	**5,918.6**
at December 31,	**690.9**	**1,142.4**	**3,118.4**	**474.1**	**7.0**	**582.8**	**190.2**	**6,205.8**

2008

In 2008, net changes in the scope of consolidation were chiefly related to the addition of Boone Comenor Metalimpex and of Val Horizon (environmental activity of the Fayolle group) within Sita France as well as that of Essal within Agbar.

In 2007, net changes in the scope of consolidation were related mainly to the addition of Easco and Stericycle within SITA UK, various additions within SITA France, and Agbar’s disposal of Applus.

In 2006, net changes in the scope of consolidation chiefly reflect the exit of Aguas Argentinas, the addition of Bristol Water and RTD (Agbar sub-group), and the effects of a change in accounting policy for London Waste and its subsidiaries (SITA UK sub-group) from equity accounting to full consolidation.

11.2 Pledged and mortgaged assets

Items of property , plant and equipment pledged by the Group to guarantee borrowings amounted to €148.3 million at December 31, 2008, €172.1 million at December 31, 2007 and €163.5 million at December 31, 2006.

The maturity of these commitments is as follows:

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Maturity			
2007			10.6
2008		18.1	25.4
2009	12.1	9.6	2.4
2010	5.3	9.3	0.9
2011	3.7	8	0.5
2012	0.4		
Future years	126.8	127.1	123.7
Total	**148.3**	**172.1**	**163.5**

11.3 Contractual commitments to purchase property, plant and equipment

In the ordinary course of their operations, certain Group companies have also entered into commitments to purchase, and related third parties to deliver, property, plant and equipment.

The Group’s firm commitments to purchase property, plant and equipment amounted to €240.4 million at December 31, 2008 versus €59.8 million at December 31, 2007 and €46.3 million at December 31, 2006. The increase recorded over the period is essentially related to the construction of an incinerator in Rosendaal in the Netherlands.

Furthermore, the Group has made various investment commitments for an amount of €771.7 million at December 31, 2008, versus €514.5 million at December 31, 2007 and €623 million at December 31, 2006.

Moreover, an operating lease contract for Agbar's headquarters in Barcelona was signed in November 2004 between the owner, the La Caixa bank, and Agbar. That contract provides, in particular, for an option to sell the building, at the sole initiative of the vendor, for a period stretching from November 15, 2009 to November 15, 2014. This sale option was valued at €172 million at December 31, 2008. In this way, Agbar is subject to a potential purchase commitment in respect of the building for an amount equal to the value of the sale option.

Note 12 – Investments in associates

12.1 Breakdown of investments in associates

	Carrying amount of investments in associates			Share in net income of associates		
(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
In the	126.9	89.8	75.1	10.4	10.6	3.1

Agbar group						
in the Sita France group	22.3	18.6	19.9	2.4	2.4	5.0
in the Sita UK group	6.6	6.0	4.0	2.4	2.5	0.4
BVK	27.4	27.1	25.1	1.5	1.8	1.8
In the Eurawasser group	14.0	29.8	28.8	2.7	2.5	2.1
in the Sita Wallonie group	19.7	17.6	20.1	7.6	(1.5)	2.3
in the Sita Deutschland group	7.1	7.4	7.2	1.4	1.8	1.7
In the Degrémont group	21.9	22.3	18.6	3.6	3.7	0.8
VAK KV	5.0	0.0	0.0	0.1	0.0	0.0
Other	14.7	19.1	22.1	1.9	(1.2)	3.5
Total	**265.6**	**237.7**	**220.9**	**34.0**	**22.6**	**20.7**

Dividends received by the Group from its associates in 2008, 2007 and 2006 amounted to €21.7 million, €16.4 million and €21.8 million respectively.

Goodwill recognized by the Group on the acquisition of associates is also included in the above item for a net amount of €3.5 million at December 31, 2008, compared with €3.2 million at December 31, 2007 and €2.6 million in 2006.

12.2 Fair value of investments in listed associates

There are no investments in listed associates or in associates of any significant size.

Note 13 – Investments in joint ventures

The condensed financial statements of the main joint ventures are presented below:

(in million of euros)	Percent consolidated	Current assets	Non-current assets	Current liabilities	Non-current liabilities
At December 31, 2008					
Hisusa group(a)(b)	51.0	1,173.6	2,611.9	1,155.9	733.3
Total		**1,173.6**	**2,611.9**	**1,155.9**	**733.3**
At December 31, 2007					
Hisusa group(a)	51.0	966.1	3,162.6	754.3	1,371.7
Total		**966.1**	**3,162.6**	**754.3**	**1,371.7**
At December 31, 2006					
Hisusa group(a)	51.0	794.0	2,749.6	771.7	1,072.2

Total	**794.0**	**2,749.6**	**771.7**	**1,072.2**

(a) Including Agbar, which is fully consolidated by Hisusa, in turn proportionately consolidated by SUEZ Environnement Company for 51%.

(b) Changes in the balance sheet of the Hisusa group are mainly the result of the sale of Gas Natural shares to its co-shareholders for the amount of their respective share, of a capital increase at Hisusa which enabled the repayment for financial debt linked to the public offering for Agbar and of part of the bond debt which became short-term in accordance with its maturity.

Note 14 – Financial instruments

14.1 Financial assets

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

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
(in million of euros)	Non-current	Current	Total	Total	Total
Available-for-sale securities	729.2	0	729.2	1,143.6	827.7
Loans and receivables carried at amortized cost	457.4	3,740.2	4,197.6	3,648.8	3,655.2
Loans and receivables carried at amortized cost (excluding customer and other receivables)	457.4	151.8	609.2	501.3	571.3
Customer and other receivables	0	3,588.4	3,588.4	3,147.5	3,083.9
Financial assets at fair value through income	89.6	51.3	140.9	252.6	110.9
Derivative financial instruments (Inc. Commodity derivatives)	89.6	0.3	89.9	73.1	57.4
Financial assets at fair value through income excluding derivatives	0	51	51	179.5	53.5
Cash and cash equivalents	0	1,668.5	1,668.5	1,466.2	1,994.8
Total	**1,276.2**	**5,460.0**	**6,736.2**	**6,511.2**	**6,588.6**

14.1.1 Available-for-sale securities

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Main listed securities:			
Gas Natural	221.6	459.7	342.4
Acea	102.4	151.2	151.8
Aguas de Valencia[(a)]	135.4	135.4	0
SUEZ	0	49.6	47.6
Eyath	8	0	0
Main unlisted securities:			
Chongqing Water Group	49.3	0	0
Indaver	0	70.5	0
Fovarosi	44.1	43.4	45.9
Consortium Intesa Aretina	14	17.1	9.5
Sirec	0	0	16
Acque Blue Florence	13.9	13.9	13.9
Polynésienne des eaux	0	0	13.1
Sydkraft Återvinning AB.	0	12.2	14.4
Vignier	0	12	0
Molok West Europe	0	10	0
Acque Toscane	9.9	9.9	5.7
Other securities	130.6	158.7	167.36
Total available-for-sale securities	**729.2**	**1,143.6**	**827.7**

(a) In view of the squeeze-out tender offer registered with the Spanish market authorities on July 24, 2008 and of the low levels of volumes traded, the market price has no significance and has therefore not been retained as a criterion for determining the fair value of the Aguas de Valencia shares.

The Group's Available-for-Sale securities amounted to €729.2 million at December 31, 2008, breaking down between €467.4 million in listed securities and €261.8 million in unlisted securities.

Movements during the year break down as follows:

(in million of euros)	
At December 31, 2005	**655.8**
Acquisitions	103.6
Net book value of disposals	(22.1)
Impairment	(7.9)
Changes in fair value recorded in shareholders' equity	155.1
Change in scope of consolidation, exchange rates and other	(56.8)
At December 31, 2006	**827.7**
Acquisitions	268.6
Net book value of disposals	(11.1)
Impairment	0.0

Changes in fair value recorded in shareholders' equity	120.4
Change in scope of consolidation, exchange rates and other	(71.6)
Other	9.6
At December 31, 2007	**1,143.6**
Acquisitions	36.1
Net book value of disposals	(117.5)[(a)]
Impairment	(2.2)
Changes in fair value recorded in shareholders' equity	(341.1)[(b)]
Change in scope of consolidation, exchange rates and other	10.3
At December 31, 2008	**729.2**

(a) Notably disposals of Indaver , SUEZ and Sakab shares.

(b) Impact of change in fair value of Available-for-Sale securities relating to Gas Natural and Acea. The market value of these shares was still exceeding their book value as at December 31, 2008.

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

	Dividends	Remeasurement			Income/(loss) on disposals
(in million of euros)		Change in fair value	Impact of exchange rates	Other	
Shareholders' equity		(341.1)	0.0		
Income	33.0			(2.2)	54.8
Total as of December 31, 2008	**33.0**	**(341.1)**	**0.0**	**(2.2)**	**54.8**
Shareholders' equity		120.4	(0.1)		
Income	33.7			7.7	(5.4)
Total as of December 31, 2007	**33.7**	**120.4**	**(0.1)**	**7.7**	**(5.4)**
Shareholders' equity		155.1	0.1		
Income	28.0			(7.9)	(1.0)
Total as of December 31, 2006	**28.0**	**155.1**	**0.1**	**(7.9)**	**(1.0)**

14.1.2 Loans and receivables carried at amortized cost

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
(in million of euros)	Non-current	Current	Total	Total	Total
Loans and receivables carried at amortized cost (excluding customer and other receivables)	457.4	151.8	609.2	501.3	571.3
Loans granted to affiliated companies	144.4	129.8	274.2	275.1	316.3
Concession receivables	298.4	19.5	317.9	209.7	236.3
Finance lease receivables	14.6	2.5	17.1	16.5	18.7
Trade and other receivables	0.0	3588.4	3588.4	3147.5	3083.9
Other assets	120.0	872.6	992.6	820.6	730.4
Rights to repayment	0.6	0.0	0.6	0.5	0.6
Tax receivables	0.0	439.0	439.0	323.6	244.3
Other receivables	119.4	433.6	553.0	496.5	485.6

Total	**577.4**	**4612.8**	**5190.2**	**4469.4**	**4385.6**

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Gross	Amortization & impairment	Net	Gross	Amortization & impairment	Net	Gross	Amortization & impairment	Net
Loans and receivables carried at amortized cost (excluding customer and other receivables)	776.0	(166.8)	609.2	849.7	(348.4)	501.3	946.5	(375.2)	571.3
Trade and other receivables	3,772.7	(184.3)	3,588.4	3,339.7	(192.2)	3,147.5	3,274.2	(190.3)	3,083.9
Total	**4,548.7**	**(351.1)**	**4,197.6**	**4,189.4**	**(540.6)**	**3,648.8**	**4,220.7**	**(565.5)**	**3,655.2**

Net income and expenses on loans and receivables carried at amortized cost recognized in the income statement break down as follows:

(in million of euros)	Interest	Subsequent valuation	
		Impact of exchange rates	Loss of value
At December 31, 2008	53.7	3.3	(29.0)
At December 31, 2007	31.7	(1.9)	(2.2)
At December 31, 2006	31.4	(1.0)	12.0

Loans granted to affiliated companies

"Loans granted to affiliated companies" primarily includes loans to associates accounted for by the equity method and amounted to €193.4 million at December 31, 2008, compared to €216.6 million at December 31, 2007 and €196 million at December 31, 2006.

The fair value of loans granted to affiliated companies amounted to €297.3 million at December 31, 2008 versus €282.1 million in 2007 and €307.6 million in 2006. The net carrying amount of these loans was €274.2 million at December 31, 2008 versus €275.1 million in 2007 and €316.3 million in 2006.

Trade and other receivables, net

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded according to the estimated risk of non-recovery. The amounts due from customers under construction contracts are also included under this item.

The carrying amount recorded in the balance sheet represents a reasonable estimate of fair value.

14.1.3 Financial assets valued at fair value through net income and financial instruments

This item comprises derivative financial instruments as well as financial assets carried at fair value through income, and can be analyzed as follows:

(in million of euros)	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
	Non-current	Current	Total	Total	

Derivative financial instruments (Inc. Commodity derivatives)	89.6	0.3	89.9	73.1	57.4
Debt derivative financial instruments	73.7	0.0	73.7	50.1	38.5
Commodity derivative financial instruments	0.0	0.0	0.0	3.3	2.8
Derivative financial instruments on other items	15.9	0.3	16.2	19.7	16.1
Financial assets at fair value through income excluding derivatives	0.0	51.0	51.0	179.5	53.5
Financial assets qualifying for fair value through income	0.0	51.0	51.0	179.5	53.5
Financial assets designated at fair value through income	0.0	0.0	0.0	0.0	0.0
Total	**89.6**	**51.3**	**140.9**	**252.6**	**110.9**

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

Financial assets qualifying as at fair value through income are mainly UCITS held for trading purposes and are included in the calculation of the Group's net debt (see Note 14.3).

Gains and losses on financial assets held for trading purposes at December 31, 2008, December 31, 2007 and December 31, 2006 were not material.

14.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in Note 15.

"Cash and cash equivalents" amounted to €1,668.5 million at December 31, 2008, versus €1,466.2 million at December 31, 2007 and €1,994.8 million at December 31, 2006.

This item includes restricted cash amounting to €181.1 million at December 31, 2008 versus €9.9 million at December 31, 2007 and €1.3 million at December 31, 2006.

Income recognized in respect of "cash and cash equivalents" at December 31, 2008 amounted to €41.6 million versus €54.8 million at December 31, 2007 and €48.6 million at December 31, 2006.

Pledged and mortgaged assets

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Financial assets pledged as collateral	11.5	20.1	0.0

14.2 Financial liabilities

Financial liabilities include borrowings and debt, trade and other payables and other financial liabilities classified under "Other liabilities carried at amortized cost", together with derivative instruments reported on the "Financial liabilities at fair value through income" line.

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

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
(in million of euros)	Non-current Part	Current Part	Total	Total	Total
Borrowings	5,100.5	2,620.8	7,721.3	7,072.7	5,934.7
Derivative financial instruments (Inc. Commodity derivatives)	22.5	83.3	105.8	21.5	23.7
Trade and other payables		3,863.7	3,863.7	3,714.7	3,852.9
Other financial liabilities	18.9		18.9	2.3	2.6
Total	**5,141.9**	**6,567.8**	**11,709.7**	**10,811.2**	**9,813.9**

14.2.1 Borrowings and debt

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
(in million of euros)	Non-current Part	Current Part	Total	Total	Total
Bond issues	681.0	263.4	944.4	956.0	980.3
Drawdowns on credit facilities	416.7	87.4	504.1	528.1	681.5
Liabilities under finance leases	434.0	58.3	492.3	519.2	542.3
Other bank borrowings	1,660.2	233.5	1,893.7	1,147.6	1,042.9
Other borrowings	1,921.0	134.1	2,055.1	2,523.7	1,506.8
Total borrowings	**5,112.9**	**776.7**	**5,889.6**	**5,674.6**	**4,753.8**
Overdrafts and current accounts	-	1,823.2	1,823.2	1,387.3	1,175.6
Outstanding borrowings	**5,112.9**	**2,599.9**	**7,712.8**	**7,061.9**	**5,929.4**
Impact of measurement at amortized	(22.4)	21.2	(1.2)	0.7	(3.5)

cost					
Impact of fair value hedge	10.0	(0.3)	9.7	10.1	8.8
Borrowings	**5,100.5**	**2,620.8**	**7,721.3**	**7,072.7**	**5,934.7**

Gains and losses on borrowings and debt recognized in the income statement mainly comprise interest and are detailed in Note 6.

Borrowings are analyzed in paragraph 14.3 “Net debt”.

14.2.2 Derivative instruments (Inc. Commodity derivatives)

Derivative instruments recorded in liabilities are measured at fair value and may be analyzed as follows:

	Dec. 31, 2008			Dec. 31, 2007	Dec. 31, 2006
(in million of euros)	Non-current Part	Current Part	Total	Total	Total
Derivatives hedging borrowings	11.9	31.2	43.1	10.2	11.2
Commodity instruments	-	51.4	51.4	0.0	2.5
Derivatives hedging other items	10.6	0.7	11.3	11.3	10.0
Total	**22.5**	**83.3**	**105.8**	**21.5**	**23.7**

These instruments are set up according to the Group’s risk management policy and are analyzed in Note 15.

14.2.3 Trade and other payables

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Trade payables	2,080.8	2,050.3	1,966.4
Amounts payable under construction contracts	173.5	168.7	203.2
Advances and down-payments received	397.1	258.8	266.7
Payable on fixed assets	844.3	826.5	886.4
Concession liabilities	22.7	21.5	133.6
Capital renewal and replacement liabilities	345.3	388.9	396.6
Total	**3,863.7**	**3,714.7**	**3,852.9**

The carrying amount recorded in the balance sheet represents a reasonable estimate of fair value.

Capital renewal and replacement liabilities

This item includes concession operators’ liabilities for renewing and replacing equipment and for restoring sites. The liabilities are determined by estimating the cost of renewing or replacing equipment and restoring the sites under concession (according to IFRIC 12), discounted each year at rates linked to inflation. The related expense is calculated on a contract-by-contract basis with probable capital renewal and site restoration costs allocated over the life of each contract.

14.2.4 Other financial liabilities

Other financial liabilities break down as follows:

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006

Liabilities on share purchases	18.9	2.0	2.2
Other	-	0.3	0.4
Total	**18.9**	**2.3**	**2.6**

Liabilities on share purchases correspond mainly to a price adjustment of €9 million payable by SUEZ Environnement North America on the acquisition of the USC (Utility Service Company) group, which specializes in the maintenance and servicing of water storage tanks.

14.3 Net debt

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Non-current part	Current part	Total	Non-current part	Current part	Total	Non-current part	Current part	Total
Outstanding borrowings	5,112.9	2,599.9	7,712.8	4,736.0	2,325.9	7,061.9	3379.7	2549.7	5929.4
Impact of measurement at amortized cost	(22.4)	21.2	(1.2)	(23.5)	24.2	0.7	(52.7)	49.2	(3.5)
Impact of fair value hedge[a]	10.0	(0.3)	9.7	10.1	0.0	10.1	8.8	0	8.8
Borrowings and debt	**5,100.5**	**2,620.8**	**7,721.3**	**4,722.6**	**2,350.1**	**7,072.7**	**3335.8**	**2598.9**	**5934.7**
Derivative hedging borrowings under liabilities[b] see Note 14.2.2	11.9	31.2	43.1	7.6	2.6	10.2	9.7	1.5	11.2
Gross debt	**5,112.4**	**2,652.0**	**7,764.4**	**4,730.2**	**2,352.7**	**7,082.9**	**3345.5**	**2600.4**	**5945.9**
Financial assets at fair value through income see Note 14.1.3	-	(51.0)	(51.0)	0.0	(179.5)	(179.5)	0	(53.5)	(53.5)
Cash and cash equivalents	-	(1,668.5)	(1,668.5)	0.0	(1,466.2)	(1,466.2)	0	(1994.8)	(1994.8)
Income/(expense) on financial assets at fair value through income	-	(1,719.5)	(1,719.5)	0.0	(1,645.7)	(1,645.7)	0	(2048.3)	(2048.3)
Derivative hedging borrowings under assets[b] see Note 14.1.3	(73.7)	-	(73.7)	(38.5)	(11.6)	(50.1)	(29)	(9.5)	(38.5)
Net cash	**(73.7)**	**(1,719.5)**	**(1,793.2)**	**(38.5)**	**(1,657.3)**	**(1,695.8)**	**(29)**	**(2057.8)**	**(2086.8)**
Net debt	**5,038.7**	**932.5**	**5,971.2**	**4,691.7**	**695.4**	**5,387.1**	**3316.5**	**542.6**	**3859.1**
Outstanding borrowings	5,112.9	2,599.9	7,712.8	4,736.0	2,325.9	7,061.9	3379.7	2549.7	5929.4
Financial assets at fair value through income	-	(51.0)	(51.0)	0.0	(179.5)	(179.5)	0	(53.5)	(53.5)
Cash and cash equivalent	-	(1,668.5)	(1,668.5)	0.0	(1,466.2)	(1,466.2)	0	(1994.8)	(1994.8)
Net debt excluding amortised cost and impact of derivative	**5,112.9**	**880.4**	**5,993.3**	**4,736.0**	**680.2**	**5,416.2**	**3379.7**	**501.4**	**3881.1**

financial instruments

(a) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.

(b) This item represents the fair value of debt-related derivatives irrespective of whether or not they are designated as hedges. It also includes instruments designated as net investment hedges.

14.3.1 Change in net debt

The dividend payment made to SUEZ Environnement shareholders resulted in a €403 million increase in net debt.

Moreover, the increase in net debt is also explained by the acquisitions made in 2008, in particular those involving USC, Boone Comenor Metalimpex, Val Horizon, BellandVision, Essal and 50% of Suyu in China (see Note 2).

Conversely, exchange rate fluctuations led to a €139.9 million decrease in net debt in 2008.

Moreover, the Group had recognized at December 31, 2007 its share of the commitment to purchase all of the Agbar shares offered in the context of the public offering. Only a portion of those shares was actually offered. As a result, the definitive outcome of the public offering on the minority interests of the Sociedad General De Aguas de Barcelona resulted in a decrease of €210 million in net debt.

14.3.2 Debt /equity ratio

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Net debt	5,971.2	5,387.1	3859.1
Total equity	4,170.0	4,256.9	4667.1
Debt / equity ratio	**143.2%**	**126.6%**	**82.7%**

Note 15 – Management of risks arising from financial instruments

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

15.1 Management of risks arising from financial instruments excluding commodities

15.1.1 Counterparty risk

The Group is exposed to counterparty risk through its operating activities on the one hand, and through its financial activities on the other.

Regarding its financial activities, the Group has put in place procedures for the management and control of counterparty risk based on the accreditation of counterparties according to their credit ratings on to the one hand and to the definition of risk limits on the other. In the aim of reducing the risk incurred, the Group uses legal instruments such as standardized (netting or margin call) agreements.

The Group's maximum exposure to credit risk should be assessed based on the carrying amount of financial assets excluding available-for-sale securities and on the fair value of derivatives recognized within assets in its balance sheet (*i.e.* €6,007.1 million at December 31, 2008, €5,367.6 million at December 31, 2007 and €5,760.9 million at December 31, 2006).

The Group is exposed to credit risk arising on its operating and investing activities.

Operating activities

Counterparty risk arising from trade and other receivables

The maturity of past-due trade and other receivables is broken down below:

(in million of euros)	Non impaired assets but past-due at the balance sheet date				Impaired assets	Non-impaired and not past-due assets	Gross amounts
Trade and other receivables	0-6 months	6-12 months	over one year	Total	Total	Total	Total
at December 31, 2008	367.5	77.0	105.6	550.1	183.0	3,039.6	3,772.7
at December 31, 2007	282.2	65.8	146.7	426.2	186.0	2,727.5	3,339.7

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

Counterparty risk arising from other assets

Other assets, which include tax receivables and other receivables, are neither past-due nor impaired. Moreover, the Group does not consider that it is exposed to any counterparty risk on those assets.

Financial activities

Counterparty risk arising from past-due loans and receivables carried at amortized cost (excluding trade and other receivables) is broken down below:

(in million of euros)	Non impaired assets but past-due at the balance sheet date				Impaired assets	Non-impaired and not past-due assets	Gross amounts
Loans and receivables carried at amortized cost (excluding trade and other receivables)	0-6 months	6-12 months	over one year	Total	Total	Total	Total
at December 31, 2008	5.8	18.4	83.9	108.1	104.1	564.2	776.4
at December 31, 2007	0.2	2.6	8.0	10.8	267.3	567.8	845.9
at December 31, 2006	0.2	0.0	7.6	7.8	295.8	654.5	958.1

The maturity of loans and receivables carried at amortized cost (excluding trade and other receivables) does not include items relating to impairment, change in fair value and amortized cost. The change in these items is presented in Note 14.1.2 "Loans and receivables at amortized cost".

Counterparty risk arising from investing activities

The Group is exposed to counterparty risk on the investment of its excess cash and cash equivalents, financial assets recognized at fair value through income (excluding derivatives) and through the use of derivative financial instruments. Counterparty risk corresponds to the loss which the Group might incur in the event of counterparties failing to meet their contractual obligations. In the case of derivative instruments, that risk corresponds to positive fair value.

At December 31, 2008 , total cash and cash equivalents exposed to counterparty risks amounted to €1,793.2 million.

Moreover, at December 31, 2008, no counterparty represented for more than 24% of the investments.

15.1.2 Liquidity risk

The Group's financing policy is based on the following principles :

• centralization of external financing;

• diversification of financing sources between the bank and capital markets;

• balanced repayment profile of financial debt.

The Group foresees that its financing needs for the main investments that it is considering will be met by its available cash, the sale of UCITS held for trading purposes, future cash flows arising from operating activities and the potential use of the credit facilities at its disposal (including those arising from the implementation of the financing contract agreed with GDF SUEZ).

At December 31, 2008, the Group had available cash of €1,793.2 million (including €51 million in UCITS held for trading purposes and €73.7 million in financial derivatives) and confirmed but unused credit facilities of €954.9 million, of which €200.8 million will mature during 2009. We anticipate that the Group's funding needs will be met by the cash available, operating cash flows and the potential use of existing credit facilities. Moreover, the Group does not rule out refinancing part of its debt by tapping the short and/or long-term debt capital markets, if market conditions are favorable.

If necessary, specific financing could be put in place for well defined projects.

In this context, access to long-term and short-term markets will be centered around the parent company (SUEZ Environnement Company) for any potential new bond debt issued by the Group.

At December 31, 2008, bank loans represented 33% of the Group's gross financial debt (excluding bank overdrafts, and the amortized cost and impact of derivatives). Financing on the capital markets (use of securitization for 4%; use of bond borrowings for 13%) represented 17% of this total.

At December 31, 2008, the Group specifically had €1,459.0 million in confirmed credit facilities, of which €504.1 million had been drawn down.

Following the crisis in US subprime mortgages in the summer of 2007, almost all surplus cash was invested in short-term banking deposits and regular cash UCITs.

Undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

At December 31, 2008 *(in million of euros)*	Total	2009	2010	2011	2012	2013	Beyond 5 years
Debt with GDF SUEZ	2,935.3	1,385.9	901.3	6.0	6.0	471.9	164.2
Bond or bank borrowings	4,777.5	1,214.0	1,317.4	130.9	458.1	266.6	1,390.5
Total	**7,712.8**	**2,599.9**	**2,218.7**	**136.9**	**464.1**	**738.5**	**1,554.7**

Moreover, at December 31, 2008, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

At December 31, 2008 *(in million of euros)*	Total	2009	2010	2011	2012	2013	Beyond 5 years
Bond issues	944.4	263.4	14.4	1.2	7.8	1.2	656.4
Draw downs on credit facilities	504.1	87.5	355.7	0.0	52.8	0.0	8.1
Borrowings under finance leases	492.3	58.2	46.4	45.3	43.5	41.4	257.5
Other bank borrowings	1,893.7	233.5	886.2	70.1	68.1	209.4	426.4
Other borrowings	2,055.1	134.1	916.0	20.3	291.9	486.5	206.3
Overdrafts and current accounts	1,823.2	1,823.2	0.0	0.0	0.0	0.0	0.0

Outstanding borrowings	7,712.8	2,599.9	2,218.7	136.9	464.1	738.5	1,554.7
Undiscounted contractual cash flows interest payments	1,504.1	241.0	189.7	142.6	130.9	181.1	618.8
Total	**9,216.9**	**2,840.9**	**2,408.4**	**279.5**	**595.0**	**919.6**	**2,173.5**

At December 31, 2007 *(in million of euros)*	Total	2008	2009	2010	2011	2012	Beyond 5 years
Outstanding financial debt	7,061.9	2,326.0	759.8	1,871.2	309.2	383.8	1,411.9

At December 31, 2006 *(in million of euros)*	Total	2007	2008	2009	2010	2011	Beyond 5 years
Outstanding financial debt	5,929.4	2,549.7	346.4	902.3	364.9	127.8	1,638.3

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

At December 31, 2008 *(in million of euros)*	Total	2009	2010	2011	2012	2013	Beyond 5 years
Derivatives (excluding commodities)	(50.4)	(51.5)	9.8	3.6	(0.1)	(1.1)	(11.1)

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

The maturity of the confirmed undrawn credit facilities are as follows:

(in million of euros)	2009	2010	2011	2012	2013	Beyond 5 years	Total
At December 31, 2008	200.8	430.7	150.0	61.2	81.7	30.5	954.9
	2008	**2009**	**2010**	**2011**	**2012**	**Beyond 5 years**	**Total**
At December 31, 2007	306.2	29.5	138.6	-	-	102.7	577.1
	2007	**2008**	**2009**	**2010**	**2011**	**Beyond 5 years**	**Total**
At December 31, 2006	360.3	18.2	167.6	22.8	4.6	46.5	620.0

At December 31, 2008, no single counterparty accounted for more than 41% of the Group’s confirmed undrawn credit lines.

15.1.3 Market risks

15.1.3.1 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its balance sheet and income statement are impacted by changes in exchange rates upon consolidation of the financial statements of its foreign subsidiaries outside the euro zone. Exposure to translation risk results essentially from net assets held by the Group in the United States and the United Kingdom.

The Group’s hedging policy with regard to investments in non-euro zone currencies consists of contracting liabilities denominated in the same currency as the cash flows expected to derive 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 and currency swaps.

However, this policy cannot be implemented if the cost of hedging is too high.

Exposure to currency risks is reviewed on a monthly basis. The asset cover ratio is periodically reviewed in light of market conditions and whenever assets are acquired or sold. Any significant change in the cover ratio is subject to prior approval by Management.

Taking financial instruments into account, 59% of net debt was denominated in euros, 18% in US dollars and 7% in pounds sterling at the end of 2008, compared with 49% in euros, 16% in US dollars and 15% in pounds sterling at the end of 2007, and 38% in euros, 22% in US dollars and 17% in pounds sterling at the end of 2006.

Analysis of financial instruments by currency

Gross debt

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging
Euro zone	5,276.1	(580.5)	4,695.6	4,428.0	(514.3)	3,913.7	3,332.3	(234.1)	3,098.2
US$ zone	1,044.1	68.9	1,113.0	852.2	77.2	929.4	863.2	75.9	939.1
£ zone	322.6	174.4	497.0	642.1	232.5	874.6	765.5	74.5	840.0
Other currencies	1,070.0	337.2	1,407.2	1,139.6	204.6	1,344.3	968.4	83.7	1,052.1
Total	**7,712.8**	**0.0**	**7,712.8**	**7,061.9**	**0.0**	**7,061.9**	**5,929.4**	**0.0**	**5,929.4**

Net debt

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging
Euro zone	4,090.8	(580.5)	3,510.3	3,178.4	(514.3)	2,664.1	1,713.2	(241.7)	1,471.5
US$ zone	1,008.2	68.9	1,077.1	785.8	77.2	863.0	787.3	76.4	863.7
£ zone	252.7	174.4	427.1	561.8	232.5	794.3	602.0	74.5	676.5
Other currencies	641.6	337.2	978.8	890.2	204.6	1,094.9	778.6	90.8	869.4
Total	**5,993.3**	**0.0**	**5,993.3**	**5,416.2**	**0.0**	**5,416.2**	**3,881.1**	**0.0**	**3,881.1**

Foreign currency derivatives

Derivatives used to hedge currency risk are presented below.

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
(in million of euros)	Total market value	Total nominal value	Total market value	Total nominal value	Total market value	Total nominal value
Fair value hedges	(2.7)	124.6	3.4	121.8	1.7	180.9
Cash flow hedges	0.0	20.2	0.0	6.6	(0.3)	19.8

Net investment hedges	69.0	451.6	23.9	464.9	16.4	306.2
Total	**66.3**	**596.4**	**27.3**	**593.3**	**17.8**	**506.9**

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.

Net investment hedging instruments are mainly currency swaps.

15.1.3.2 Interest rate risk

The Group's aim is to reduce financing costs by limiting the impact of interest rate fluctuations on its income statement.

The Group's aim is to achieve a balanced interest rate structure for its net debt in the medium term (five years) using a mixture of fixed and floating rates. The interest rate mix may change depending on market trends.

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

Positions are managed centrally and reviewed on a monthly basis and whenever any new financing is raised. Any significant change in the interest rate mix is subject to prior approval by Management.

The cost of debt is sensitive to changes in interest rates on all floating-rate debt. The cost of debt is also affected by changes in market value of derivative instruments not classified as hedges under IAS 39. To date, none of the option hedges entered into by the Group has been classified as a hedge under IAS 39, even though they offer economic hedging.

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euros, US dollars and pounds sterling, which represented 84% of net debt at December 31, 2008.

At December 31, 2008, approximately 57% of the Group's gross debt was at floating rates and 43% at fixed rates, after taking into account the impact of financial instruments. Substantially all cash surpluses are invested on a short-term basis (and therefore at floating rates). At December 31, 2008, 55% of net debt was at fixed rates and 45% at floating rates, thus significantly reducing the Group's sensitivity to a rise in interest rates.

Analysis of financial instruments by type of interest rate

Gross debt

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging
Floating rate	4,740.5	(340.9)	4,399.6	4,236.3	(79.3)	4,157.0	3,430.4	(507.0)	2,923.4
Fixed rate	2,972.3	340.9	3,313.2	2,825.6	79.3	2,904.9	2,499.0	507.0	3,006.0
Total	**7,712.8**	**0.0**	**7,712.8**	**7,061.9**	**0.0**	**7,061.9**	**5,929.4**	**0.0**	**5,929.4**

Net debt

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging
Floating	3,021.0	(340.9)	2,680.1	2,590.5	(79.3)	2,511.2	1,484.9	(505.9)	979.0

rate									
Fixed rate	2,972.3	340.9	3,313.2	2,825.7	79.3	2,905.0	2,396.2	505.9	2,902.1
Total	**5,993.3**	**0.0**	**5,993.3**	**5,416.2**	**0.0**	**5,416.2**	**3,881.1**	**0.0**	**3,881.1**

Loans granted to affiliated companies: (gross amount)

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging	Before hedging	Impact of derivatives	After hedging
Floating rate	146.1	0.0	146.1	415.1	0.0	415.1	422.4	0.0	422.4
Fixed rate	257.4	0.0	257.4	172.3	0.0	172.3	176.2	0.0	176.2
Total	**403.5**	**0.0**	**403.5**	**587.4**	**0.0**	**587.4**	**598.6**	**0.0**	**598.6**

Interest rate derivatives

Derivatives used to hedge interest rate risk are presented below :

	Dec. 31, 2008		Dec. 31, 2007		Dec. 31, 2006	
(in million of euros)	Total market value	Total nominal value	Total market value	Total nominal value	Total market value	Total nominal value
Fair value hedges	20.3	769.2	(3.3)	804.2	2.1	280.7
Cash flow hedges	(48.0)	1,101.3	4.6	746.3	6.6	538.8
Total	**(27.7)**	**1,870.5**	**1.3**	**1,550.5**	**8.7**	**819.5**

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

Interest rate instruments qualifying as 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.

15.1.3.3 Specific impact of currency and interest rate hedges

Fair value hedges

At December 31, 2008, the net impact of fair value hedges recognized in the income statement was €3.5 million.

Cash flow hedges

The breakdown by maturity of the market value of the foreign currency and interest rate derivatives designated as cash flow hedges is as follows:

(in million of euros)	Market value of derivatives by maturity date
Y+1	(8)

Y+2	(18.6)
Y+3	(7.4)
Y+4	(4.6)
Y+5	(3.9)
> 5 years	(5.5)
Total	**(48)**

At December 31, 2008, unrealized gains and losses directly recognized in equity group share over the period amounted to a loss of €35.3 million.

No amount was transferred to income in the context of the monitoring of cash flow hedges, during the period.

The ineffective portion of cash flow hedges recognized in income amounted to a loss of €15.6 million.

Net investment hedges

The ineffective portion of net investment hedges recognized in income was not material.

15.1.3.4 Sensitivity analysis: foreign currency and interest rate instruments

The sensitivity analysis was based on the debt position as at the balance sheet date (including derivative instruments).

As regards the foreign currency risk, the sensitivity calculation consists in evaluating the impact in the consolidated financial statements of changes in foreign currency rates against the euro of +/-10% compared to closing rates.

Impact on income

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the reporting currency of the companies carrying the liabilities on their balance sheet, and to the extent that these liabilities do not qualify as net investment hedges. A uniform 10% rise in the value of the euro against all other currencies would have a negative impact of €12.5 million on income.

Impact on equity

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform rise of 10% in the value of the euro against all other foreign currencies would have a positive impact of €75.7 million on equity. This impact is countered by the offsetting change in the net investment hedged.

As regards the interest rate risk, sensitivity corresponds to a 1 % rise or fall in the yield curve compared with year-end interest rates.

Impact on income

A uniform 1 % rise or fall in short-term interest rates (for all currencies) on the nominal amount of the floating-rate net debt and the floating-rate component of derivatives, as well as a 1 % rise or fall of all the yield curves on the fair value of derivatives which are not classified as hedges, would have a negative impact of €18.7 million on net interest expense.

Impact on equity

A uniform 1 % rise or fall in interest rates (identical throughout the yield curves and across all currencies) would have a positive impact of €31.3 million on equity attributable to changes in the fair value of derivative instruments designated as cash flow hedges.

15.1.3.5 Market risk on available-for-sale securities

At December 31, 2008, available-for-sale securities held by the Group amounted to €729.2 million (see Note 14.1.1).

A 10% fall in the value of the listed securities (excluding Aguas de Valencia) would have an impact of around €18 million on Group shareholders' equity and of €14 million on income, depending on whether or not the Group considers the decline to be significant and prolonged to lead to a potential impairment. The Group's portfolio of listed and unlisted equity investments is managed in accordance with a specific investment policy. Reports on the equity portfolio are submitted to Executive Management on a regular basis.

15.2 Management of risks arising from financial instruments linked to commodities

15.2.1 Hedging operations

The Group sets up cash flow hedges on fuel and electricity as defined by IAS 39, by using the derivative instruments available on over the counter markets, whether they are firm commitments or options, but always paid net. The aim of the Group is to protect itself against unfavorable changes in market prices which may affect supply costs on the sale price of the electricity produced by its energy recovery units.

15.2.2 Fair value of derivative instruments linked to commodities

The fair value of the derivative instruments linked to commodities at December 31, 2008, 2007 and 2006 is presented in the table below:

	Dec. 31, 2008				Dec. 31, 2007				Dec. 31, 2006			
	Assets		Liabilities		Assets		Liabilities		Assets		Liabilities	
(in million of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	-	-	51.4	-	3.2	-	-	-	2.9	-	2.5	-
Total	**0.0**	**0.0**	**51.4**	**0.0**	**3.2**	**0.0**	**0.0**	**0.0**	**2.9**	**0.0**	**2.5**	**0.0**

The fair value of cash flow hedging instruments by type of commodity breaks down as follows:

	Dec. 31, 2008				Dec. 31 2007				Dec. 31, 2006			
	Assets		Liabilities		Assets		Liabilities		Assets		Liabilities	
(in million of euros)	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Natural gas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	0.0	0.0	0.0
Swaps	-	-	-	-	-	-	-	-	2.9	-	-	-
Options	-	-	-	-	-	-	-	-	-	-	-	-
Forwards/futures	-	-	-	-	-	-	-	-	-	-	-	-
Oil	0.0	0.0	51.4	0.0	3.2	0.0	0.0	0.0	0.0	0.0	2.5	0.0
Swaps	-	-	51.4	-	3.2	-	-	-	-	-	2.5	-
Options	-	-	-	-	-	-	-	-	-	-	-	-
Forwards/futures	-	-	-	-	-	-	-	-	-	-	-	-
Total	**0.0**	**0.0**	**51.4**	**0.0**	**3.2**	**-**	**-**	**-**	**2.9**	**-**	**2.5**	**-**

Note 16 – Inventories

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Commodities	137.7	135.6	120.5
Production in progress	89.6	83.4	119.5
Finished products	18.6	23.5	5.9
Total	**245.9**	**242.5**	**245.9**

Note 17 – Equity

17.1 Share capital

	Share capital			of which outstanding shares	of which Treasury shares	
	Number of shares	Share capital *(in million of euros)*	Additional paid-in capital *(in million of euros)*	Number of shares	Number of shares	Value *(in million of euros)*
At December 31, 2006	**489,699,060**	**1,958.6**	**4,198.8**	**489,699,060**		
Shares issued						
Purchase and disposals of treasury shares						
At December 31, 2007	**489,699,060**	**1,958.6**	**4,198.8**	**489,699,060**		
Shares issued		0.2				
Purchase and disposals of treasury shares				*(1,350,000)*	*1,350,000*	*17.1*
At December 31, 2008	**489,699,060**	**1,958.8**	**4,198.8**	**488,349,060**	**1,350,000**	**17.1**

At the date of listing, the share capital of SUEZ Environnement Company was €1,958.8 million, made up of 489,699,060 shares (par value of €4.00 and issue premium of €8.6 per share).

17.2 Treasury shares and share repurchase program

A one-year liquidity contract, renewable by tacit agreement, in an initial amount of €40 million, was signed with Crédit Agricole Chevreux on July 24, 2008. The aim of this contract is to reduce the volatility of the SUEZ Environnement Company share price and it conforms to the professional ethics charter drawn up by the Association française des entreprises d'investissement (French association of investment companies).

There were 1,350,000 treasury shares at December 31, 2008 with a value of €17.1 million.

17.3 Changes in fair value recognized in shareholders' equity

The table below sets out a breakdown of changes in fair value recognized directly in shareholders' equity.

(in million of euros)	Dec. 31, 2006	Change	Dec. 31, 2007	Change	Dec. 31, 2008
Available-for-sale securities	247.7	119.8	367.5	(320.8)	46.7
Cash flow hedges	1.3	6.4	7.7	(35.3)	(27.6)
Net investment hedges	9.8	2.7	12.5	22.3	34.8
Commodity cash flow hedges	(5.2)	8.2	3.0	(54.6)	(51.6)

Actuarial gains and losses	(32.5)	58.0	25.5	(115.7)	(90.2)
Deferred taxes	(40.5)	(56.5)	(97.0)	113.3	16.3
Translation adjustments	(11.7)	(82.0)	(93.7)	(39.3)	(133.0)
Total	**168.9**	**56.6**	**225.5**	**(430.1)**	**(204.6)**

17.4 Dividend distribution

During the first half of 2009, SUEZ Environnement Company will make a dividend pre-payment for the 2009 fiscal year amounting to €0.65 per share, *i.e.* amounting to €318.3 million in total.

17.5 Equity management

SUEZ Environnement Company seeks to optimize its financial structure on a continual basis through achieving an optimal balance between net debt and equity as featured in the consolidated balance sheet. The main aim of the Group in terms of managing its financial structure is to maximize value for shareholders, to reduce the cost of capital, to maintain a good rating while ensuring the desired financial flexibility in order to seize external growth opportunities which will create value. The Group manages its financial structure and makes adjustments in light of changes in economic conditions.

The management aims, policies and procedures have remained identical for several fiscal years.

Note 18 – Provisions

At December 31, 2008:

(in million of euros)	Dec. 31, 2007	Allo-wances	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments[(a)]	Translation adjustments[(b)]	Other	Dec. 31, 2008
Pensions and other employee benefit obligations	324.8	19.7	(41.2)	0.0	3.0	12.4	1.8	108.4	428.9
Sector-related risks	146.0	5.0	(42.8)	0.0	0.0	0.0	0.1	(6.0)	102.3
Warranties	39.9	4.6	(16.3)	(0.9)	2.4	0.0	1.0	3.8	34.5
Disputes, claims and tax risks	123.5	39.0	(28.5)	(3.1)	1.8	0.0	(2.7)	(5.0)	125.0
Site rehabilitation	503.0	28.7	(41.8)	(0.4)	3.7	22.7	(32.1)	1.5	485.3
Restructuring costs	22.6	9.6	(12.3)	(0.2)	0.2	0.0	(0.1)	(0.1)	19.7
Other contingencies	136.6	31.5	(38.6)	(0.9)	1.3	0.5	(6.2)	8.1	132.3
Total provisions	**1,296.4**	**138.1**	**(221.5)**	**(5.5)**	**12.4**	**35.6**	**(38.2)**	**110.7**	**1,328.0**

At December 31, 2007:

(in million of euros)	Dec. 31, 2006	Allo-wances	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount	Translation adjustments[(b)]	Other	Dec. 31, 2007

						adjustments[a]			
Pensions and other employee benefit obligations	386,8	34,8	(36,5)	(10,0)	1,0	9,9	(10,6)	(50,6)	324,8
Sector-related risks	189,8	38,1	(51,3)	(34,8)	1,5	0,0	(0,1)	2,8	146,0
Warranties	38,4	6,5	(4,4)	(0,2)	(0,0)	0,0	(1,4)	1,0	39,9
Disputes, claims and tax risks	133,9	30,4	(35,4)	(9,3)	0,9	0,0	(2,0)	5,0	123,5
Site rehabilitation	473,7	39,8	(38,6)	0,0	9,8	25,0	(10,4)	3,7	503,0
Restructuring costs	14,1	19,9	(9,0)	(1,5)	(0,1)	0,0	(0,2)	(0,6)	22,6
Other contingencies	142,9	31,4	(49,0)	(2,0)	18,8	0,3	(2,5)	(3,3)	136,6
Total provisions	**1,379,6**	**200,9**	**(224,2)**	**(57,8)**	**31,9**	**35,2**	**(27,2)**	**(42,0)**	**1,296,4**

At December 31, 2006:

(in million of euros)	Dec. 31, 2005	Allo-wances	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments[a]	Translation adjustments[b]	Other	Dec. 31, 2006
Pensions and other employee benefit obligations	430.6	27.8	(33.7)	(0.5)	(3.1)	10.2	(10.7)	(33.8)	386.8
Sector-related risks	77.8	142.8	(17.9)	(20.6)	7.2	0.0	0.0	0.5	189.8
Warranties	48.7	16.2	(15.6)	(0.5)	(3.6)	0.0	(1.3)	(5.5)	38.4
Disputes, claims and tax risks	351.3	49.2	(114.2)	(10.2)	(132.8)	0.0	(2.8)	(6.6)	133.9
Site rehabilitation	434.3	54.2	(45.1)	(0.7)	6.6	15.6	2.3	6.5	473.7
Restructuring costs	28.0	5.8	(17.9)	(0.8)	(5.5)	0.0	(0.2)	4.7	14.1
Other contingencies	177.3	52.7	(81.8)	(5.0)	(14.1)	2.2	(3.0)	14.6	142.9
Total provisions	**1,548.0**	**348.7**	**(326.2)**	**(38.3)**	**(145.3)**	**28.0**	**(15.7)**	**(19.6)**	**1,379.6**

(a) The amount shown in respect of pensions and other employee benefit obligations relates to the interest cost on pension obligations, net of the expected return on plan assets.

(b) Currency translation losses at December 31, 2008, at December 31, 2007 and December 31, 2006 were: €38.2 million, €27.2 million and €15.7 million respectively. Although they were mainly due to the US subsidiaries in 2006 and 2007, the losses in 2008 were mainly generated by the UK subsidiaries.

The allowances, reversals and changes presented above and resulting from the unwinding of discount adjustments are presented as follows in the income statement for 2008:

(in million of euros)	Net allowances
Income from operating activities	(102.7)

Other financial income and expenses	35.6
Income tax expense	13.8
Total	**(53.3)**

18.1 Pensions and other employee benefit obligations

See Note 19.

18.2 Sector-related risks

This item mainly includes provisions for risks relating to court proceedings involving the Argentinean contracts and to warranties given in connection with divestments that are likely to be called upon.

18.3 Disputes, claims and tax risks

This item includes provisions relating to ongoing disputes involving employees or social security organizations (social security tax deficiency assessment, etc.), disputes arising in the ordinary course of the business (customer claims, accounts payable disputes), tax deficiency assessments and tax disputes.

In 2006, the changes in these provisions reflect the Group's withdrawal from Argentina and Brazil.

18.4 Site rehabilitation

The June 1998 European Directive on waste management introduced a number of obligations regarding the closure and long-term monitoring of waste storage 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 his obligations) in terms of the design and scale of storage, the collection and treatment of liquid (leachates) and gas (biogas) effluents. It also requires provisions for these facilities to be inspected over a thirty year period after closure.

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 recorded over the period the site is in operation, pro rata to the depletion of the landfill capacity (void-space) (matching of income and expenses). 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 as a counterparty of the provision is recorded. It is depreciated in line with the depletion of the landfill capacity or the need for coverage, during the period.

The rehabilitation provision calculations (at the time the facility is shut down) depends on whether the capping used is : semi-permeable, semi-permeable with drainage, or impermeable. That choice has a considerable impact on future levels of leachate effluents and therefore on future costs of treating such effluents. The calculation of the provision requires an evaluation of cost of rehabilitating the area to be covered. The provision recorded in the balance sheet at year-end must cover the costs of rehabilitating the untreated surface area (difference between the fill rate and the percentage of the site's area 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 the costs linked to the production of leachate and biogas effluents on the one hand, and on the amount of biogas recycled, on the other. The recycling of biogas represents a source of revenue and is deducted from long-term monitoring expenses. 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 was in operation;
- upkeep and maintenance of the protective capping and of the infrastructure (surface water collection);
- control and monitoring of surface water, underground water and leachates;
- replacement and repair of observation wells (piezometer wells);
- leachate treatment costs;

• biogas collection and processing costs (taking into account any revenues from biogas recycling).

The provision for long-term monitoring obligations which should be recorded at year-end depends on the fill rate of the facility at the end of the period, the estimated aggregate costs per year and per unit (based on standard or specific costs), the estimated closure date of the site and the discount rate applied to each site (depending on its residual life).

18.5 Other contingencies

"Other contingencies" mainly includes provisions for miscellaneous employee-related and environmental litigation and for various business risks.

Note 19 – Pensions and other employee benefit obligations

19. 1 Description of the main pension plans and related benefits

Most Group companies grant their employees post-employment benefits (pensions and early retirement plans, retirement indemnities, medical coverage, benefits in kind, etc.) as well as other long-term benefits, such as jubilee and other long-service awards.

In France, retirement bonuses are paid to employees, and the amount, set by the applicable collective bargaining agreement, is defined in terms of a number of months' salary which depends on the employee's length of service at retirement. Certain French subsidiaries also offer supplementary defined benefit retirement plans which guarantee an annuity level upon retirement. In the United States and United Kingdom among others, annuities paid on retirement are generally determined as a percentage of final salary.

Defined benefit plans may be fully or partly pre-funded by employer contributions to a pension fund (as is the case in the United States and United Kingdom) or to a dedicated fund managed by an insurance company (France). These funds are fed by contributions made by the company and, in certain cases, by the employees. Outside the United States, other employee benefit plans and other long-term benefits are generally not pre-funded.

Employees of some Group companies are affiliated to multi-employer pension plans, covering pension, death and disability benefits which are legally paid in the form of annuities. This is especially the case in the Netherlands, for most group entities whose area of activity makes participation in an industry-wide scheme mandatory.

Multi-employer plans can be classified either as defined contribution or defined benefit plans, depending on the terms and conditions applicable (and of any implied obligation beyond the formal terms and conditions of the plan). In the absence of any regulation governing the calculation of each participating employer's share in the underlying financial position and the performance of such plans, and in the absence of any contractual agreement between the plan and the participants on the financing of any shortfall (or distribution of any surplus) the SUEZ Environnement Company group recognizes such multi-employer plans as defined contribution plans in accordance with the IAS 19 standard.

Most SITA Nederland employees are affiliated to the BPF Vervoer industry-wide pension fund. This fund has 550,000 members and involves 8,600 different employers in the freight and passenger transport industries.

19.2 Defined benefit plans

19.2.1.Changes in obligations for pensions and other employee benefits

The Group's obligations for pensions and other employee benefit plans are as follows:

	Dec. 31, 2008			Dec. 31, 2007			Dec. 31, 2006		
(in million of euros)	Pension benefit obligatons[(a)]	Other benefit obligations[(b)]	Total	Pension benefit obligations[(a)]	Other benefit obligations[(b)]	Total	Pension benefit obligations[(a)]	Other benefit obligations[(b)]	Total
A - Change in projected benefit obligation									
Projected benefit obligation at January 1	**(756.1)**	**(162.0)**	**(918.1)**	**(818.0)**	**(176.5)**	**(994.5)**	**(712.6)**	**(173.3)**	**(885.9)**

Service cost	(23.7)	(6.1)	(29.8)	(26.5)	(6.0)	(32.5)	(26.9)	(6.2)	(33.1)
Interest cost	(40.6)	(9.5)	(50.1)	(40.1)	(9.1)	(49.2)	(36.7)	(9.1)	(45.8)
Contributions paid	(1.8)		(1.8)	(1.9)	0.0	(1.9)	(2.1)	0.0	(2.1)
Amendments	(4.5)	(0.2)	(4.7)	3.1	0.0	3.1	(2.0)	(1.5)	(3.5)
Acquisitions/Disposals of subsidiaries	(2.0)		(2.0)	(3.7)	(0.7)	(4.4)	(99.9)	2.8	(97.1)
Curtailments /settlements	24.0	0.1	24.1	12.3	0.0	12.3	3.6	(0.1)	3.5
Special termination	(0.5)	(0.1)	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial gains and losses	8.9	(7.9)	1.0	45.8	13.0	58.8	19.8	(8.1)	11.7
Benefits paid	36.0	6.8	42.8	37.0	7.4	44.4	38.8	7.9	46.7
Other (translation adjustments)	29.4	(6.3)	23.1	35.9	9.9	45.8	0.0	11.1	11.1
Projected benefit obligation at December 31 A	**(730.9)**	**(185.2)**	**(916.1)**	**(756.1)**	**(162.0)**	**(918.1)**	**(818.0)**	**(176.5)**	**(994.5)**
B - Change in fair value of plan assets									
Fair value of plan assets at January 1	**583.8**	**38.1**	**621.9**	**587.5**	**37.8**	**625.3**	**453.4**	**38.3**	**491.7**
Expected return on plan assets	35.2	2.8	38.0	36.4	2.8	39.2	32.9	2.7	35.6
Contributions received	32.5	6.9	39.4	31.8	7.5	39.3	33.3	8.1	41.4
Acquisitions/Disposals of subsidiaries	0.1	0.0	0.1	0.3	0.0	0.3	108.8	0.0	108.8
Curtailments/settlements	(9.1)	(0.0)	(9.1)	(6.9)	0.0	(6.9)	(3.9)	0.0	(3.9)
Actuarial gains and losses	(104.9)	(11.5)	(116.4)	2.8	1.3	4.1	7.5	0.6	8.1
Benefits paid	(36.0)	(6.8)	(42.8)	(37.0)	(7.4)	(44.4)	(38.8)	(7.9)	(46.7)
Other (translation adjustments)	(31.1)	1.5	(29.6)	(31.1)	(3.9)	(35.0)	(5.7)	(4.0)	(9.7)
Fair value of plan assets at December 31 B	**470.5**	**31.0**	**501.5**	**583.8**	**38.1**	**621.9**	**587.5**	**37.8**	**625.3**
C - Funded status A+B	(260.4)	(154.2)	(414.6)	(172.3)	(123.9)	(296.2)	(230.5)	(138.7)	(369.2)
Cost of unrecognized past services	7.7	(14.1)	(6.4)	4.0	(15.3)	(11.3)	7.2	(17.2)	(10.0)
Limit on defined benefit assets (IAS 19 section 58B)									
Supplementary provision (IFRIC 14)	(5.3)		(5.3)						
Net benefit obligation A+B	(258.0)	(168.3)	(426.3)	(168.3)	(139.2)	(307.5)	(223.3)	(155.9)	(379.2)
Total liability	**(260.5)**	**(168.3)**	**(428.8)**	**(185.6)**	**(139.2)**	**(324.8)**	**(230.9)**	**(155.9)**	**(386.8)**
Total asset	**2.5**	**0.0**	**2.5**	**17.3**	**0.0**	**17.3**	**7.6**	**0.0**	**7.6**

(a) Pensions and retirement bonuses.

(b) Long-service awards, healthcare, gratuities and other employee benefits.

In 2006, amounts relating to acquisitions of subsidiaries arise mainly on the first-time consolidation of London Waste by SITA UK and of Bristol Water by Agbar.

The application of IFRIC 14 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – has resulted in the recording of an additional provision of €5.3 million at December 31, 2008. The negative impact is recognized in equity in the Statement of Recognized Income and Expense (SORIE).

National Inter-professional Agreement of January 11, 2008 (ANI):

The Group considers that the calculation of legal indemnities for redundancy arising from article 11 on the National Interprofessional Agreement signed in January 2008 does not apply to indemnities for voluntary retirement at the employees' request. That point was finally confirmed by an ANI ruling signed on December 15, 2008. No amount has therefore been recognized. We note that the application of these measures would have increased actuarial debt at December 31, 2008 by €45.3 million.

19.2.2. Balance of actuarial gains and losses recognized in equity

Actuarial loss recognized in equity amounted to €90.5 million at December 31, 2008, compared with an actuarial gain of €29.5 million at December 31, 2007 and a loss of €30.1 million at December 31, 2006.

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Opening balance	**29.5**	**(30.1)**	**(45.6)**
Actuarial gains and (losses) generated during the year[a]	(120)	59.6	15.5
Closing balance	**(90.5)**	**29.5**	**(30.1)**

(a) Including supplementary IFRIC 14 provision and the impact of curtailments and settlements of plans.

Actuarial gains and losses are shown excluding translation adjustments, as the latter are shown separately in the Statement of Recognized Income and Expense (SORIE).

19.2.3. Reconciliation with provisions carried in the balance sheet

Annual changes in pension liabilities and prepaid costs can be broken down as follows:

(in million of euros)	Asset	Liability	Total
Balance as of December 31, 2006	**7.6**	**(386.8)**	**(379.2)**
Translation gains and losses	(0.4)	5.9	5.5
Actuarial gains and losses	19.4	43.5	62.9
Changes in scope of consolidation and other	(10.2)	10.2	0
Expense of the period	(3.8)	(29.9)	(33.7)
Contributions	4.7	32.3	37
Balance as of December 31, 2007	**17.3**	**(324.8)**	**(307.5)**
Translation gains and losses	(0.1)	(3.9)	(4)
Actuarial gains and losses[a]	1.3	(117.1)	(115.8)
Supplementary provision (IFRIC 14)[b]		(6.3)	(6.3)
Changes in scope of consolidation and other	(15.8)	12.2	(3.6)
Expense of the period[c]	(0.3)	(26.0)	(26.3)
Contributions	0.1	37.1	37.2

Balance as of December 31, 2008	**2.5**	**(428.8)**	**(426.3)**

(a) Actuarial gains and losses on other employee benefits.

(b) Supplementary provision translated at average exchange rate for the period. This amount corresponds to €5.3 million translated at year-end exchange rates.

(c) Including actuarial gains and losses on long-term benefits (particularly jubilees).

19.2.4 Components of net periodic pension costs

The net periodic cost recognized in respect of pensions and other employee benefit obligations for fiscal year breaks down as follows:

(in million of euros)	2008	2007	2006
Current service cost	(29.8)	(32.5)	(33.1)
Interest cost	(50.1)	(49.2)	(45.8)
Expected return on plan assets	38	39.2	35.6
Actuarial gains or losses	0.4	(1.1)	0
Past service cost	0.3	0.8	(0.9)
Gains or losses on pension plan curtailments , terminations and settlements	15	10.6	(0.4)
Special terminations	(0.1)	(1.5)	0
Total	**(26.3)**	**(33.7)**	**(44.6)**
Of which recognized in COI	(14.2)	(23.7)	(34.4)
Of which recognized in financial income/(loss)	(12.1)	(10)	(10.2)

19.2.5 Funding policy and strategy

When defined benefit plans are funded, the related plan assets are invested through 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 an optimum return on investments and an acceptable level of risk.

The objectives of these strategies are twofold:

- to maintain sufficient income streams and liquidity to cover pensions and other benefit payments; and
- to achieve a long-term return on investment that is at least equal to the future returns required by plan participants.

When plan assets are invested through 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 through an insurance company, the latter manages the investment portfolio and generally guarantees a rate of return on the related assets. Such diversified funds are characterized by active management benchmarked to composite indices, adapted to the long-term horizon of the liabilities and taking into account the government obligations of the euro zone and the shares of the largest companies in and outside the euro zone. The insurer's sole obligation in this case is to ensure a fixed minimum return on the plan assets.

The funding of these obligations breaks down as follows:

(in millions of euros)	Actuarial debt	Fair value of plan asset	Cost of unrecognized past services	Limit on defined benefit assets and supplementary provision	Total net obligation
Underfunded plans	(827.3)	483.8	(6.9)	(5.3)	(355.7)

Overfunded plans	(15.5)	17.7	0.2	0	2.4
Unfunded plans	(73.3)	0	0.3	0.0	(73)
Total as of December 31, 2008	**(916.1)**	**501.5**	**(6.4)**	**(5.3)**	**(426.3)**
Underfunded plans	(539.9)	331.8	(1.7)	0.0	(209.8)
Overfunded plans	(274.4)	290.1	0	0.0	15.7
Unfunded plans	(103.8)	0	(9.6)	0.0	(113.4)
Total as of December 31, 2007	**(918.1)**	**621.9**	**(11.3)**	**0**	**(307.5)**
Underfunded plans	(636.9)	357.9	(3.3)	0.0	(282.3)
Overfunded plans	(268)	267.4	0	0.0	(0.6)
Unfunded plans	(89.6)	0	(6.7)	0.0	(96.3)
Total as of December 31, 2006	**(994.5)**	**625.3**	**(10)**	**0**	**(379.2)**

The allocation of plan assets by main asset category breaks down as follows:

	2008	2007	2006
Equities	33%	45%	48%
Bonds	41%	44%	40%
Real Estate	1%	1%	1%
Other (including money market securities)	25%	10%	11%
Total	**100%**	**100%**	**100%**

19.2.6 Actuarial assumptions

Actuarial assumptions are determined individually per country and company, in association with independent actuaries. The weighted discount rates are presented below:

	Pension benefit obligations			Other benefit obligations			Total benefit obligations		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Discount rate	5.7%	5.6%	4.9%	5.6%	5.9%	5.4%	5.7%	5.6%	5.0%
Estimated increase in salaries	3.6%	3.3%	3.2%	3.9%	3.3%	3.6%	3.7%	3.3%	3.2%
Expected return on plan assets	7.0%	6.5%	6.2%	7.9%	8.3%	7.9%	7.0%	6.6%	6.4%
Average remaining working lives of participating employees	12 years	12 years	13 years	13 years	14 years	16 years	12 years	12 years	13 years

Discount and salary increase rates are shown including inflation.

19.2.6.1. Discount rates

The discount rate selected is determined by reference to the yield, at the measurement date, on high-quality corporate bonds with a maturity which corresponds to the likely maturity of the plan.

The rates uses for the euro and US dollar correspond to 10, 15 and 20-year rates on AA composite indices sourced on Bloomberg. For the United Kingdom, the rates used are determined bases on the 15-year iBoox rate on AA composites.

19.2.6.2. Expected return on plan assets

To calculate the expected return on plan assets, the asset portfolio is broken down into homogeneous sub-groups, along broad asset categories and geographical areas, based on the composition of the benchmark index and on the amounts in each of the funds as at December 31 of the preceding year.

An expected yield for the fiscal year, openly provided by a third party, is applied to each sub-group; a global absolute performance is then established from that starting point and applied to the value of the portfolio at the beginning of the year.

The expected rates of return on assets have been calculated according to prevailing market conditions and are as follows:

- bond yield rates correspond to yields on government bonds, which are consistent with actual yields on inflation-indexed bonds;

- the rate of return on equities includes a risk premium of 3% compared with the bond yield;

- the premium included in the rate of return on real estate assets corresponds to a 1% risk premium, calculated pro rata to the expected return on equities.

19.2.6.3. Other assumptions

The assumptions used for healthcare cost trend rates (including inflation) are 6.4% for 2008, 6.3% for 2009 and 5.9% for 2010. These assumptions are used for the valuation of other employees benefits.

A one percentage point change in the assumed increase in healthcare costs would have the following impact:

(in million of euros)	One point increase	One point decrease
Impact on expenses	2.6	(2.2)
Impact on pension obligations	23.0	(20.0)

19.2.6.4. Experience adjustments

The breakdown of experience adjustments giving rise to actuarial gains and losses is presented below:

	Dec. 31, 2008		Dec. 31, 2007	
(in million of euros)	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
Projected benefit obligation	(730.9)	(185.2)	(756.1)	(162.0)
Fair value of plan assets	470.5	31.0	583.8	38.1
Surplus/deficit	(260.4)	(154.2)	(172.3)	(123.9)
Experience adjustments to projected benefit obligations	(0.5)	(1.4)	10.2	8.7
Experience adjustments to fair value of plan assets	(104.9)	(11.5)	2.8	1.3

19.2.7 Geographical breakdown of obligations

In 2008, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

	Euro Zone		United Kingdom		United States		Rest of the world	
(in million of euros)	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations	Pension benefit obligations	Other benefit obligations
Net benefit obligations	(145.4)	(67.9)	(16.9)	0.0	(73.0)	(66.7)	(22.7)	(33.7)
Discount rate	5.2%	5.2%	6.4%	-	6.4%	6.2%	4.2%	4.6%
Estimated future increase in salaries	3.6%	3.8%	3.9%	-	3.5%	3.5%	3.6%	3.9%
Expected return on plan assets	5.3%	4.6%	7.2%	-	8.5%	8.5%	7.1%	3.0%
Average remaining working lives of participating employees	13 years	13 years	11 years	-	13 years	13 years	12 years	14 years

19.2.8 Payments due in 2009

The Group expects to make around €21.7 million in contributions into its defined benefit plans in 2009. Given the current financial crisis, the Group expects a slight increase in subscription in 2009.

19.3 Defined contribution plans

During the course of 2008, SUEZ Environment Company recorded an €84.9 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

Note 20 – Construction contracts

"Amounts due from customers under construction contracts" and "Amounts due to customers under construction contracts" are presented in the balance sheet under "Trade and other receivables" and "Trade and other payables", respectively.

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Amounts due from customers under construction contracts	128.4	52.7	16.1
Amounts due to customers under construction contracts	173.5	168.7	178.3
Net position	(45.1)	(116.0)	(162.2)

Contracts in progress at the balance sheet date:

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Cumulated cost incurred and margins recognized	2,951.3	2,597.0	2,390.8
Advances received	168.0	57.1	77.9

Contingent liabilities arising under construction contracts are not material.

Note 21 – Finance leases

Property, plant and equipment assets owned under finance leases are broken down into different asset categories depending on their type.

The main finance lease agreements entered into by the Group concern Novergie's incineration plants.

The reconciliation between the undiscounted value and the present value of minimum lease payments is as follows:

(in million of euros)	Future minimum lease payments at December 31, 2008		Future minimum lease payments at December 31, 2007		Future minimum lease payments at December 31, 2006	
	Undiscounted value	Present value	Undiscounted value	Present value	Undiscounted value	Present value
During Year 1	66.4	63.6	67.2	64.1	63.5	61.2
During year 2 to year 5 inclusive	210.6	181.5	209.7	178.7	207.4	182.5
Beyond year 5	301.1	190.2	321.9	197.7	354.3	228.7
Total future minimum lease payments	**578.1**	**435.3**	**598.8**	**440.5**	**625.2**	**472.4**

Note 22 – Operating leases

Operating lease income and expense recognized for the 2008, 2007 and 2006 fiscal years breaks down as follows:

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Minimum lease payments	(261.4)	(263.2)	(308.9)
Contingent lease payments	(26.6)	(26.7)	(22.4)
Sub-letting income	4.2	4.1	3.7
Sub-letting expense	(3.9)	(4.2)	(2.2)
Other operating lease expenses	(9.3)	(10.8)	(14.1)
Total	**(297.0)**	**(300.8)**	**(343.9)**

Future minimum lease payments due under non-cancelable operating leases can be analyzed as follows:

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
During Year 1	120.2	110.0	81.7
During year 2 to year 5 inclusive	196.1	176.8	165.8
Beyond year 5	130.3	116.9	123.0
Total	**446.6**	**403.7**	**370.5**

At December 31, 2008, future minimum lease payments receivable under non-cancelable sub-letting arrangements amounted to €9.2 million.

Note 23 – Service Concession Arrangements

SIC 29, Disclosure – Concession Arrangements was published in May 2001 and deals with the information regarding concession contracts which should be disclosed in the Notes to the Financial Statements.

The IFRIC 12 disclosure, published in November 2006 deals with the recognition of certain concession contracts which meet certain criteria according to which it is estimated that the concession-grantor controls the facilities (see Note 1.5.6).

As specified in SIC 29, a service concession agreement generally involves a transfer by the concession-grantor to the concession-holder for the entire duration of the concession:

(a) of the right to offer services enabling the public to access major economic and social services;

(b) of the right, in certain cases, to use tangible and intangible assets or specified financial assets;

in exchange for the commitment made by the concession-holder :

(c) to offer services in accordance with certain terms and conditions during the length of the concession; and

(d) if the need arises, to return the rights received at the beginning of the concession and/or acquired during the concession.

The common characteristic of all the service concession agreements is the fact that the concession holder is both granted a right and becomes bound by an obligation to offer public services.

The Group manages a large number of concession contracts as defined by SIC 29 in drinking water distribution, wastewater treatment, and waste management.

These concession contracts includes terms and conditions on rights and obligations with regard to the infrastructure and to the obligations relating to public service, in particular the obligation to allow users to access the public service, an obligation, which, in certain contracts, may be subject to a timeframe. The terms of the concessions vary between 12 and 50 years, depending mainly on the level of investments to be made by the concession operator.

In exchange for these obligations, the Group is entitled to bill either the local authority granting the concession (mainly incineration activities and BOT water treatment contracts) or the users for the services provided. That right gives rise either to an intangible asset, or to a receivable, or a tangible asset, depending on the accounting model applicable (see Note 1.5.6).

The tangible asset model is used when the concession-grantor does not control the infrastructure, like for example, water distribution concession contracts in the United States which do not provide for the return to the concession grantor at the end of the contract of the infrastructure, which remains the property of the Group.

A general obligation also exists to return the concession infrastructure in good working condition at the end of the contract. Where appropriate (see Note 1.5.6), this obligation results in the recognition of a capital renewal and replacement liability (see Note 14.2.3).

Services are generally billed at a fixed price which is index-linked for the duration of the contract. However, contracts may contain clauses providing for periodic price adjustments (usually at the end of a five-year period) if there is a change in the economic conditions which were initially expected when the contracts were signed.

Note 24 – Cash flows

24.1 Reconciliation with income tax expense in the income statement

(In million of euros)	Tax cash flows (income tax expense)		
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Impact on income statement	**(92.7)**	**(273.5)**	**(276.1)**
Non cash items			
provisions for income	13.8	9.0	2.3

tax			
deferred tax	(50.9)	(9.0)	14.1
change in taxes payable	(74.5)[(a)]	(102.3)[(b)]	(13.1)
other	(0.5)	24.6	11.9
Impact on cash flow statement	**(204.8)**	**(351.2)**	**(260.9)**

(a) this mainly concerns the amount of tax prepayments made by the subsidiaries within the framework of the former SUEZ tax consolidation group which were repaid to SUEZ Environnment Company in February 2009.

(b) Includes mainly tax credits recognized by Agbar further to its sale of Applus.

24.2 Reconciliation with financial income/ (loss) in the income statement

(in million of euros)	Financial cash flows (financial income/(loss)		
	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Impact on income statement	**(329.8)**	**(262.7)**	**(164.0)**
Changes in amortized cost	0	2.9	0
Impact of exchange rate and changes in fair value	16.8	6.7	(1.4)
Unwinding of discounting adjustment to provisions	43.0	43.3	35.1
Other	(4.2)	(2.4)	(3.2)
Impact on cash flow statement	**(274.2)**	**(212.2)**	**(133.5)**

Note 25 – Share-based payments

SUEZ Environnement Company employees are eligible for the benefits offered to employees of the GDF SUEZ group.

Expenses recognized in respect of share-based payment are as follows:

(Expense) for the period *(in million of euros)*	Note	**Dec. 31, 2008**	Dec. 31, 2007	Dec. 31, 2006
Stock-option plans	25.1	(14.8)	(12.7)	(11.6)
Employees share issues	25.2	-	(13.2)	-
Share Appreciation Rights [(*)]	25.2	(2.0)	(4.9)	(6.2)
Bonus/performance share award plans	25.3	(32.9)	(14.1)	(2.7)
Exceptional bonus	25.4	(3.2)	(3.4)	-
Total		**(52.9)**	**(48.3)**	**(20.5)**

(*) Share appreciation rights issued in the context of capital increases reserved for employees, in certain countries, excluding warrants.

25.1 Stock option plans

25.1.1 Stock option policy

The GDF SUEZ stock option purchase or subscription plan aims to closely involve executive and senior management, as well as high-potential executives, in the future development of the company and in creating shareholder value.

The award of stock purchase or subscription options is also a means of fostering loyalty, taking into account contribution to strategic policies as well as adhesion to GDF SUEZ group values. Conditions for the award of options and the list of beneficiaries are defined by the Board of Directors of GDF SUEZ in accordance with authorizations granted at the Shareholders' Meetings.

In 2007, Executive Management reaffirmed its wish to maintain a wide base of beneficiaries, so as to preserve the coherence of SUEZ's policy in this area. The decision taken in 2000 not to apply a discount when determining the option price was renewed in 2008.

Since SUEZ's Board of Directors' decision in 2005 , the number of options awarded has been reduced and partly replaced by an award of bonus SUEZ shares.

In 2008, awards of bonus shares testified to these principles.

In connection with the US delisting procedure, stock options granted to employees of Group companies in the US were replaced by a Share Appreciation Rights scheme in 2007, which entitles beneficiaries to a cash payment equal to the profit they would make on exercising their options and immediately selling the underlying shares.

Moreover, SUEZ's Board of Directors has decided that the exercise of a portion of options awarded would be subject to certain conditions , provided for in the conditional system for senior management executives and in the enhanced conditional system for members of the Executive Committee.

In accordance with the initial rules of the plans and with the SUEZ's Board of Directors' decision of October 18, 2006, the objectives featured in the performance conditions linked to stock option plans and described hereafter have been reduced via the application of a 0.80 coefficient given the merger of SUEZ with Gaz de France.

Conditional system

2003 plan

As the performance conditions were satisfied at November 17, 2007, the stock subscription options granted to the Group's senior managers and members of SUEZ's Executive Committee may be exercised.

2004 and subsequent plans

The exercise of half of the stock subscription options granted to the SUEZ group's senior managers and half of the options awarded to members of SUEZ's Executive Committee (after deduction of approximately 10% of their options, which are subject to the enhanced conditional system), is subject to a performance condition.

The conditions are described below:

- **2004 plan**: The options subject to this performance condition may be exercised if, during the period from November 17, 2008 to November 16, 2012, the SUEZ share price is equal to or greater than the exercise price of €18.14, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 17, 2004 to November 17, 2008.

- **2005 plan** : The options subject to this performance condition may be exercised if, during the period from December 8, 2009 to December 7, 2013, the SUEZ share price is equal to or greater than the exercise price of €24.20, adjusted for the change in the Eurostoxx Utilities Index observed over the period from December 8, 2005 to December 8, 2009.

- **2006/2007 plan**: These options may be exercised if, during the period from January 17, 2011 to January 16, 2015 inclusive, the SUEZ share price is equal to or greater than the exercise price of €38.89, adjusted for the change in the Eurostoxx Utilities Index observed over the period from January 16, 2007 to January 16, 2011.

- **November 2007 plan** : These options may be exercised if, during the period from November 13, 2011 to November 13, 2015 inclusive, the SUEZ share price is equal to or greater than the exercise price of €44.37, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 13, 2007 to November 13, 2011.

• **2008 plan**: These options may be exercised if, during the period from November 9, 2012 to November 11, 2016 inclusive, the GDF SUEZ share price is equal to or greater on at least one occasion to a target price equivalent to the exercise price of €32.74, adjusted for the change in the Eurostoxx Utilities Index observed over the period from November 11, 2008 to November 9, 2012.

Enhanced conditional system

Approximately 10% of the stock subscription options granted to members of SUEZ's Executive Committee only are subject to a more demanding performance condition. After deduction of this 10% portion, half of the remaining options are subject to the conditional system described above, and the other half are free from performance conditions. If the conditions described below are met, the corresponding options may be exercised. Failing that, they will be irrevocably forfeited.

• **2004 plan:** As the performance conditions were satisfied at November 17, 2008, the stock subscription options may be exercised.

• **2005 plan**: The 10% of options subject to this enhanced performance condition may be exercised if the SUEZ share price on December 8, 2009 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the exercise price of the options, adjusted for the change in the Eurostoxx Utilities Index observed over the period from December 8, 2005 to December 8, 2009, plus 1% per annum.

• **2006/2007 plan:** The 10% of options subject to this enhanced performance condition may be exercised if the SUEZ share price on January 17, 2011 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from January 16, 2007 to January 16, 2011, plus 4%.

• **November 2007 plan**: The 10% of options subject to this enhanced performance condition may be exercised if the SUEZ share price on November 14, 2011 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from November 13, 2007 to November 13, 2011, plus 4%.

• **2008 plan**: The 10% of options subject to this enhanced performance condition may be exercised if the GDF SUEZ share price on November 12, 2012 (as measured by the arithmetic mean of the share price during the previous 20 trading days) is equal to or greater than the change in the Eurostoxx Utilities Index observed over the period from November 11, 2008 to November 9, 2012, plus 4%.

25.1.2 Number of stock options awarded

Pursuant to the merger prospectus and to the articles of the French Commercial Code, SUEZ's commitments towards the option-holders still in the vesting period have been assumed in full. The individual rights of the beneficiaries have been adjusted in order to take the allocation to SUEZ shareholders of 65% of the share capital of SUEZ Environnement Company into account, along with the merger parity. As indicated in the merger prospectus, these adjustments are made on the basis of four elements :

• the pre-distribution value of SUEZ shares, measured according to the weighted average of the shares' price on the Paris stock exchange during the three days which preceded the distribution, i.e. €44.6194;

• the value of SUEZ Environnement Company shares, measured according to the weighted average of the shares' price on the Paris stock exchange during the 15 days following its stock exchange listing, i.e. €18.0449;

• the distribution ratio of SUEZ Environnement Company shares (one share for 4 SUEZ shares);

• the merger parity (21 GDF SUEZ shares for 22 SUEZ shares).

These changes came into effect on August 22, 15 days after the listing of SUEZ Environnement Company.

Plan	Date of the authorising shareholders'meeting	Starting point for exercise of the options	Adjusted exercise price	Balance to be exercised on 2008/08/22 after adjustment	Granted	Exercised** and canceled	Balance to be exercised on 2008/12/31	Maturity	Length of life remaining
2003/11/19*	2001/05/04	2007/11/19	12.39	997,985	0	(109,461)	888,524	2011/11/18	2.9
2004/11/17	2004/04/27	2008/11/17	16.84	2,992,475	0	(435,819)	2,556,656	2012/11/16	3.9

2005/12/09	2004/04/27	2009/12/09	22.79	1,986,158	0	(1,658)	1,984,500	2013/12/09	4.9
2007/01/17	2004/04/27	2011/01/16	36.62	1,677,291	0	(956)	1,676,335	2015/01/16	6.0
2007/11/14	2007/05/04	2011/11/13	41.78	1,325,249	0	0	1,325,249	2015/11/13	6.9
2008/11/12	2008/07/16	2012/11/12	32.74	0	1,081,720	0	1,081,720	2016/11/11	7.9
Total				**8,979,158**	**1,081,720**	**(547894)**	**9,512,984**		

* Exercisable plans

** In specific circumstances such as retirement or death, the anticipated exercise of options is authorized

The average price of SUEZ shares in the first half of 2008 was €43.79. The average share price of GDF SUEZ from the date of the merger until December 31, 2008, was €34.75.

25.1.3 Fair value of stock option plans in force

Stock option plans are valued according to a binomial model. The following assumptions were applied:

	2008 plan	11/2007 plan	2006/2007 plan	2005 plan	2004 plan
Volatility [(a)]	35.16%	33.71%	32.87%	31.25%	29.66%
Risk-free rate [(b)]	3.63%	4.03%	4.00%	3.25%	3.70%
in euros					
Dividend [(c)]	1.39	1.34	1.2	0.8	0.8
Fair value of options at date of grant	9.33	15.04	12.28	7.24	4.35

(a) The volatility calculated corresponds to a moving average of volatilities over the life of the plan.

(b) Risk-free interest rate over the life of the plan.

(c) Last dividend paid/proposed.

25.1.4 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:

(in million of euros)	(Expense) for the period		
Award date	**Dec. 31, 2008**	Dec. 31, 2007	Dec. 31, 2006
2002/11/20			(3.5)
2003/11/19		(1.7)	(1.9)
2004/11/17	(2.6)	(3.0)	(3.0)
2005/12/09	(3.2)	(3.2)	(3.2)
2007/01/17	(4.5)	(4.3)	
2007/11/14	(4.2)	(0.5)	
2008/11/12	(0.3)		
Total	**(14.8)**	**(12.7)**	**(11.6)**

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.

25.1.5 Share Appreciation Rights

The award of Share Appreciation Rights (SARs) to US employees in November 2007 and November 2008 (as replacement for stock options) does not have a material impact on the Group's financial statements.

25.2 Employee share issues

25.2.1 Description of plans available

Employees are entitled to subscribe to share issues under Group corporate savings plans. Subscriptions may be made through the following plans:

- Spring Classique: this plan allows employees to subscribe to SUEZ shares either directly or via an employee investment fund at lower than current market prices;

- Spring Multiple: 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 the positive performance of SUEZ shares (leverage effect) at the end of the mandatory holding period;

- Share Appreciation Rights (SAR): this leveraged plan enables the acquisition of a security benefiting from a performance multiplier which will result in a cash payment to the employee after a period of five years. The resulting employee liability is covered by warrants.

25.2.2 Accounting impact

There was no share issue reserved for employees in 2008.

The accounting impact of the cash-settled Share Appreciation Rights (SAR) consists in recognizing an employee payable over the vesting period of the rights, with the corresponding adjustment recorded in income. At December 31, 2008, the fair value of the liability related to these awards in 2004, 2005 and 2007 amounted to €10.5 million. The fair value of the liability is determined using the Black & Scholes model.

The impact of the SAR awards on the income statement is a negative €2.0 million (excluding warrants).

25.3 Bonus shares

25.3.1 Award policy before the merger between Gaz de France and SUEZ

At its meeting of December 9, 2005, the Board of Directors of SUEZ decided to set up a SUEZ bonus share award scheme. This initiative had two objectives:

- to round out the system applicable to current beneficiaries of stock option plans, by partly replacing stock options with bonus share awards (the rate at which the stock options are replaced varies according to the seniority of the beneficiaries);

- to award bonus shares to a category of employees not eligible for stock option awards, as exceptional recognition for their contribution and in order to stimulate their commitment to their company and the SUEZ group.

As a result, on February 13, 2006, 236,900 bonus shares were allocated to SUEZ Environnement Company group employees under this plan. With the same objectives in mind, the Board of Directors' meetings of October 18, 2006 and November 14, 2007 respectively granted 334,156 and 396,042 bonus shares to SUEZ Environnement Company group employees, subject to a vesting period of two years starting February 12, 2007 and November 14, 2007, respectively.

Bonus shares are awarded subject to several conditions:

- presence in the Group (except in the event of retirement, death or disability);

- performance condition based on the SUEZ Group's return on capital employed (ROCE);

- a mandatory holding period for the shares of two years as from the final vesting date.

In addition to bonus share plans set up within the scope of the SUEZ Board's objectives described above, SUEZ has awarded bonus shares on three other occasions:

• as part of the capital increase reserved for employees, bonus shares were awarded to beneficiaries in certain countries (outside France), based on two shares for every €40 subscribed, up to a maximum amount of €200 (10 bonus shares) per beneficiary. In total, 46,056 bonus shares were awarded to employees of the SUEZ Environnement Company group. The vesting period is five years;

• as part of a three-year global financial incentive scheme aimed at all employees and designed to involve them more closely in the SUEZ group's performance, 14 bonus shares were awarded to each employee in 2007, representing a total of 838,684 bonus shares for SUEZ Environnement Company. For the year 2008, 15 bonus shares were awarded to each employees, i.e. 928,725 shares for the SUEZ Environnment Company Group. The vesting periods applicable to the share awards vary depending on the countries concerned. Bonus shares are awarded on the basis of several conditions:

• a performance condition linked to Group EBITDA,

• the condition of being present in the Group (variable depending on the countries concerned),

• a mandatory holding period for the shares, starting from the final vesting date (variable depending on the countries concerned).

25.3.2 Award policy following the merger between Gaz de France and SUEZ

Pursuant to the merger prospectus and to the articles of the French Commercial Code, SUEZ's commitments towards the beneficiaries of bonus shares still in the vesting period have been assumed in full. As for stock options, the individual rights of the beneficiaries have been adjusted in order to take the allocation to SUEZ shareholders of 65% of the share capital of SUEZ Environnement Company into account, along with the merger parity (see 25.1.2.1).

At its meeting of November 12, 2008, the Board of Directors of GDF SUEZ granted 357,034 bonus shares to the SUEZ Environnement Company group employees, with a vesting period of between two and four years, depending on the country.

These bonus shares are awarded subject to several conditions:

• presence in the Group (except in the event of retirement, death or disability);

• A performance condition based on Group EBITDA;

• the length of the mandatory holding period for the shares.

25.3.3 Bonus share plans in force

Grant date	Number of shares granted	Fair value per share
SUEZ plan - February 2007	334,156	36.0
SUEZ plan - July 2007	838,684	37.8*
SUEZ plan - August 2007	46,056	32.1
SUEZ plan - November 2007	396,042	42.4
SUEZ plan - June 2008	928,725	39.0*
SUEZ plan - June 2008	24,740	37.8
GDF SUEZ plan - November 2008	357,034	28.5*
Balance as of December 31, 2008	**2,925,437**	

* Average weighted value.

25.3.4 Valuation method

Pursuant to IFRS 2, the Group has calculated the fair value of goods or services received during the period based on the fair value of the shareholder instruments thus awarded.

The valuation is carried out at the award date, which corresponds to the date of the Board meeting in which the plan was approved. The fair value of a share awarded corresponds to the market value of the share at the date of award, adjusted for the loss of dividend expected during the two-year vesting period on the one hand and for the lock-in period attached to the shares on the other. The cost attached to this lock-in period is not material. Given the plan award date (mid-November), the sensitivity analysis generates non material results.

That value is recorded under personnel costs, on a linear basis, between the date of the grant and the date on which the award conditions are lifted, with a direct counterpart in equity. It will be adjusted depending on potential reviews relating to the assumptions regarding effective staff turnover rates arising during the period and to the respect of the performance conditions. It will be irrevocably fixed based on the number of shares effectively distributed at the end of the period.

25.3.5 Impact on net income for the period

(in million of euros)	(Expense) for the period		
Date of grant	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
SUEZ plan - February 2006	(0.6)	(3.0)	(2.7)
SUEZ plan - February 2007	(5.5)	(4.8)	0.0
SUEZ plan - July 2007	(11.6)	(5.3)	0.0
SUEZ plan - August 2007	(0.3)	(0.1)	0.0
SUEZ plan - November 2007	(6.8)	(0.9)	0.0
SUEZ plan - June 2008	(7.5)	0.0	0.0
SUEZ plan - June 2008	(0.1)	0.0	0.0
GDF SUEZ plan - November 2008	(0.5)	0.0	0.0
Total	**(32.9)**	**(14.1)**	**(2.7)**

25.4 SUEZ exceptional bonus

In November 2006, the SUEZ group introduced a temporary exceptional bonus award scheme aimed at rewarding employee loyalty and involving employees more closely in the Group’s success. This scheme provides for the payment of an exceptional bonus equal to the value of four SUEZ shares in 2010 as well as the amount of gross dividends for the period between 2005 and 2009 (including any potential extraordinary dividends). Since the merger, the calculation is based on a basket made up of one GDF SUEZ share and one SUEZ Environnement Company share.

Around 71,200 SUEZ Environnement Company employees were eligible for this bonus at December 31, 2008.

The accounting impact of this cash-settled instrument consists of recognizing an employee payable over the vesting period of the rights, with the corresponding adjustment recorded in income. The fair value of the total liability is estimated on the basis of the SUEZ share price. At December 31, 2008, the expense relating to this premium amounted to €3.2 million. The estimated fair value of the liability upon expiry of the plan is €11.6 million.

Note 26 – Related party transactions

The aim of this note is to describe material transactions between (i) the Group and its shareholders (or representatives), and (ii) the Group and the companies which it does not exclusively control (joint ventures or associates).

Only material transactions are described below.

26. 1 Transactions between the parent company and related entities

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Transactions with the parent company GDF SUEZ:			
Purchases/sales of goods and services	(30.7)	(30.6)	(29.7)
Financial income	1.4	1.5	1.2
Non financial payables	13.3	16.7	15.4
Borrowings	0.0	173.9	131.8
Non financial receivables	1.2		0.9
Receivables carried at amortized cost [(a)]	36.6		
Transactions with			

companies linked to the parent company GDF SUEZ:			
Purchases/sales of goods and services	(5.4)	(9.3)	(24.6)
Financial income	14.8	29.4	26.6
Financial expenses	(128.4)	(83.7)	(86.6)
Non financial receivables	36.1	3.7	3.5
Financial receivables	43.5	41.9	1.2
Non financial payables	2.2	2.0	10.5
Borrowings	2,995.3	1,946.4	1,698.3
Net cash	319.2	461.2	1,177.7

(a) Refer to Note 2.1.

Outstanding balances relate mainly to amounts payable by SUEZ Environnement, Lyonnaise des Eaux, Sita Flanders and Sita Wallony to SUEZ Finance SA and Energy Europe Invest.

26.2 Transactions with joint ventures and associates

Transactions with joint ventures and associates consisted mainly of technical services provided to and received from Hungariavitz, SFWD and Swire in the amount of €8.2 million at December 31, 2008 and €7.8 million at December 31, 2007. At December 31, 2006, transactions with Agbar, SFWD and Swire amounted to €9.7 million.

Moreover, in 2007, to finance the purchase of Agbar shares from Torreal by Hisusa, Hisusa shareholders granted a loan to the latter. The SUEZ Environnement Company share amounted to €104 million at December 31, 2007. The loan was repaid at the end of 2008.

Note 27 – Executive compensation

The Group’s key executives are the six members of the Executive Committee in 2008; five members for the previous years (refer to chapter 14.1).

Their compensation breaks down as follows:

(in million of euros)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Short-tem benefits	3.0	2.9	2.4
Post-employment benefits	0.9	0.8	0.8
Share-based payments	2.0	1.4	0.8
Total	**5.9**	**5.1**	**4.0**

Note 28 – Contingent assets and liabilities

Based on its analysis, the Group has not identified any material contingent liabilities, as the probability that its existing commitments will give rise to an outflow of resources is remote.

Note 29 – Legal and arbitration proceedings

29.1 Competition and industry concentration

In its decision of July 11, 2002, the French Anti-trust 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 between the two groups. Although the French Anti-Trust Council did not impose sanctions against the two companies, it requested the Minister of the Economy to order the two companies to modify or terminate the agreements that combine their resources within joint subsidiaries to lift the barrier to competition.

As part of the investigation conducted by the Minister of the Economy, the two companies were asked to unwind their cross-shareholdings in these joint subsidiaries.

At the date of this document, Lyonnaise des Eaux France and Compagnie Générale des Eaux have decided to comply with the Minister's decision and entered into an agreement in principle to this effect. It will be subject to prior information and authorization conditions.

29.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain amount of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for this litigation and arbitration when (i) a legal, contractual, or constructive obligation exists at the balance sheet date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of that outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €125 million at December 31, 2008.

29.3 Litigation in argentina

In Argentina, tariffs under delegation of public services contracts have been frozen since the Public Emergency and Exchange Regime Reform Law (Emergency Act) was passed in January 2002. Consequently, in 2003, pursuant to the Franco-Argentine Bilateral Investment Protection Treaties, SUEZ – now GDF SUEZ - and certain other shareholders of concession holders (Aguas Argentinas in Buenos Aires, Aguas Provinciales de Santa Fe in Rosario and Aguas Cordobesas in Cordoba) launched arbitration proceedings in relation to this issue before the International Center for Settlement of Investment Disputes (ICSID). These proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession, due to the measures adopted by the Argentine government following the adoption of the abovementioned Emergency Act.

Negotiations with the concession-granting authorities were immediately initiated in each case.

With respect to Aguas Cordobesas, an agreement providing for a new tariff regime was reached with the Province of Cordoba on October 13, 2006 and was approved by the Provincial Congress on November 11, 2006. At the same time, SUEZ and Agbar sold control of the company to Roggio SA, a private Argentine utilities group, thus retaining only an interest of 10% (5% SUEZ, 5% Agbar) in Aguas Cordobesas. This 5% interest retained by SUEZ following the Roggio transaction was transferred to SUEZ Environnement prior to the merger between SUEZ and Gaz de France, within the context of SUEZ Environnement Company being listed on the stock exchange. Moreover, pursuant to the terms of the agreement with the Province and the sale agreement with Roggio SA, Aguas Cordobesas and its foreign shareholders (including SUEZ) withdrew from the ICSID arbitration proceeding on December 22, 2006.

With respect to Aguas Argentinas and Aguas Provinciales de Santa Fe, negotiations between the concession holder and the concession-granting authorities continued in 2005, but stopped in 2006 without resulting in the implementation of tariff increases or the drafting of new guidelines to restore a sustainable financial and economic equilibrium for the two Argentine contracts. Given this context and the resulting decline in the companies' financial and operational performance, Aguas Argentinas and Aguas Provinciales de Santa Fe were obliged to launch termination proceedings in respect of their delegation of public services contracts.

The voluntary liquidation of Aguas Provinciales de Santa Fe was announced at the company's annual Shareholders' Meeting on January 13, 2006. On January 31, 2006, an administrative decree was issued by the authorities terminating the existing delegation of public services contract and duly acknowledging the transfer of services back to the grantor, with effect from February 8, 2006. On April 20, 2006, Aguas Provinciales de Santa Fe challenged the validity of this administrative decree.

The concession-granting authorities rejected Aguas Argentinas' termination request. Negotiations with a view to selling European shareholders' interests in Aguas Argentinas failed. On March 21, 2006, the Argentine government issued a decree terminating the Aguas Argentinas delegation of public services contract citing alleged infringement by the concession holder, and transferred all its assets to AYSA, a newly established company, wholly-owned by the Argentinean State. The Argentinean authorities' decision resulted, among other things, in the suspension of payments owed by Aguas Argentinas, which asked for protection under the "Concurso Preventivo" on April 28, 2006 (a similar mechanism to bankruptcy in France). Within the framework of these receivership proceedings, a composition proposal involving the novation of the company's admissible liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008.

ICSID arbitration proceedings in relation to the protection of foreign shareholders' investments in both of these contracts are ongoing. ICSID found that it had jurisdiction to decide both cases. The decision on jurisdiction in the Aguas Provinciales de Santa Fe case was delivered on May 16, 2006 and that regarding Aguas Argentinas on August 3, 2006. Hearings on the merits of the cases took place between April 28, 2007 and May 2, 2007 for Aguas Provinciales de Santa Fe and between October 29, 2007 and November 8, 2007 for Aguas Argentinas.

In contrast, Banco de Galicia, a minority shareholder of Aguas Argentinas and not a party to the ICSID proceedings because of its Argentine nationality, filed a claim for majority abuse against SUEZ and other foreign shareholders of the concession holders in the Argentinean courts, demanding indemnification for the loss resulting, in Banco de Galicia's case, from the withdrawal of Aguas Argentinas , originally also a party to the arbitration, from the ICSID proceedings. Banco de Galicia withdrew the claim following the buyback by GDF SUEZ of the interest held by Banco de Galicia in each of the Argentinean companies (i.e. 8.26% of Aguas Argentinas and 12.5% of Aguas Provinciales de Santa Fe).

Finally, a claim was filed with the Federal District Court of New York in late September 2006 by an entity with the name of "Aguas Lenders Recovery Group" in order to obtain the payment by SUEZ, Agbar and AYSA (the Argentine state-owned company that succeeded Aguas Argentinas) of US$130 million owed by Aguas Argentinas to unsecured lenders. This claim was withdrawn by the plaintiff.

For the record, and as described in the SUEZ Environnement stock exchange listing Prospectus (Section 5.1.6.2a), SUEZ and SUEZ Environnement agreed - prior to the merger between SUEZ and Gaz de France and the listing of SUEZ Environnement Company on the stock exchange - upon the economic transfer, in SUEZ Environnement's favor, of the rights and obligations linked to the interests held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

29.4 Novergie

Novergie Centre Est, a wholly-owned subsidiary of SUEZ Environnement, used to operate an incineration plant in Gilly-sur-Isère near Albertville (in the Savoie region), which was built in 1984 and owned by SIMIGEDA (a public-private waste management company in the Albertville district). In 2001, high levels of dioxin were found near the incineration plant and the Préfet of the Savoie region ordered the closing of the plant in October 2001.

Criminal complaints and action for damages parallel to prosecution were filed in March 2002 against, among others, the president of SIMIGEDA, the Préfet of the Savoie region and Novergie Centre Est for poisoning, endangering the life of others, and non intentional assault and battery, with respect to dioxin pollution allegedly caused by the incineration plant.

Novergie Centre Est was indicted on December 22, 2005 on the counts of endangering the life of others and violating administrative regulations.

In the context of this procedure, investigations ordered by the court showed that there had been no increase of the number of cancers in neighboring populations.

On October 26, 2007, the judge in charge of investigating the case dismissed the charges against physical persons indicted for endangering the life of others. However, the judge ordered that SIMIGEDA and Novergie Centre Est be sent for trial before the Albertville criminal court for having operated the incinerator" without prior authorization, due to the expiry of the initial authorization as a result of significant changes in operating conditions at the plant".

29.5 United Water (New York)

In March 2008, certain persons residing on the banks of the Hackensack River in Rockland County (New York state) filed a claim for a total amount of US$66 million (subsequently raised to US$130 million) with the New York Supreme Court against United Water (New York) following flooding in the aftermath of heavy rains.

Those residents are claiming faulty maintenance of the reservoir and of the DeForest Lake dam adjoining DeForest Lake, which allegedly did not operate properly in the aftermath of the heavy rains in question and did not enable the gradual overflow of water into the Hackensack River on which it is built, thus causing flooding in the homes of the said residents. As the rain water drainage network operated by United Water flows into the river upstream from the dam, the residents, although living in a flood zone, are claiming compensatory damages and interest from United Water in the amount of US$65 million, as well as punitive damages and interest in the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

United Water, which is not responsible for the maintenance of the dam and the reservoir, is of the opinion that the claims are unlikely to succeed.

The claim has been declared to the insurance companies.

29.6 Tax litigation

Sociedad General de Aguas de Barcelona

Agbar was subject to a number of tax audits, mainly relating to corporate tax.

With respect to corporate tax, Agbar received a reassessment notice from the Spanish tax authorities for the 1995 to 1998 fiscal years, mentioning a reassessment of tax payable of €28 million in addition to penalties of €12 million. Agbar also received a reassessment notice relating to the 1999 to 2001 fiscal years, mentioning a reassessment of tax payable of €41 million in addition to penalties of €25 million.

The company challenged these notices in court, alleging that the tax authorities' arguments were not grounded.

In May 2007, with regard to the 1995 to 1998 fiscal years, the administrative court reduced the amount of the claim to €21 million and canceled the penalties. However, Agbar appealed this judgment on the remaining part of the reassessment, which is now being examined by the Administrative Court of Appeal.

Moreover, in May 2008, the Administrative Court cancelled the penalties relating to the 1999 to 2001 fiscal years, but upheld almost all of the reassessment. As a result, Agbar appealed that judgment in July 2008: the part of the reassessment that was upheld is currently being examined.

LYDEC

LYDEC, a 51% owned subsidiary of the Group, was subject to a tax audit relating to the 2002 to 2005 fiscal years concerning corporate tax, Value Added Tax, and general income tax.

In this context, LYDEC has received since December 2006 reassessment notices relating to the audited fiscal years, for amounts which the Group considers to be abnormally high.

LYDEC challenged almost all of the reassessments proposed by the tax authorities and initiated actions before the local taxation commission concerning all of the fiscal years audited.

A provision has been recorded for this litigation in the consolidated Group financial statements at December 31, 2008, pursuant to the Group's risk analysis, for an amount much lower than the reassessments claimed by the tax authorities.

Lyonnaise des Eaux and its subsidiaries

With respect to the calculation of business tax ("taxe professionnelle"), Lyonnaise des Eaux France and its subsidiaries are in discussions with the French tax authorities. These discussions relate to the valuation method used for real estate assets as well as for equipment and other assets relating to the delegations of public services financed by the relevant delegated entity and/or by local public entities.

In this context, notices of claims for reassessment have been received by Lyonnaise des Eaux, Eau du Sud Parisien, Eau & Force, Société des Eaux du Nord, SERAM, Société des Eaux de Marseille and Stéphanoise des Eaux.

Note 30 – Subsequent events

There were no material subsequent events.

Note 31 – List of the main companies consolidated at December 31, 2008, 2007, 2006

		% held			% controlled			Consolidation method		
Names	Headquarters address	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006
SUEZ Environnement Company	1, rue d'Astorg 75008 PARIS - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
Water Europe										

Lyonnaise des Eaux France	11, place Eduard VII 75009 PARIS - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
Eau et Force	30, rue Paul Vaillant Couturier - BP 712 92007 Nanterre - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
Eaux de Marseille	25, rue Edouard-Delanglade 13006 Marseille - France	48.8	48.8	48.8	48.8	48.8	48.8	PC	PC	PC
Eaux du Nord	217, boulevard de la Liberté BP 329 59020 Lille - France	49.6	49.6	49.6	49.6	49.6	49.6	PC	PC	PC
S.C.M. (SDEI)	988, chemin Pierre Drevet 69140 Rillieux la Pape - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
Stéphanoise des Eaux	28, rue Eugène Beaune 42043 Saint-Etienne - France	50.0	50.0	50.0	50.0	50.0	50.0	PC	PC	PC
Hisusa	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Spain	51.0	51.0	51.0	51.0	51.0	51.0	PC	PC	PC
Agbar[(a)]	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Spain	45.9	51.0	25.9	51.0	51.0	48.5	PC	PC	PC
Aguas Andinas[(b)]	Avenida Presidente Balmaceda 1398, Piso – 4, Santiago -Chile	13.2	14.5	7.4	51.0	51.0	51.0	PC	PC	PC
Eurawasser	Carl-Hopp-Strasse 1, D-18069 Rostock - Germany	100.0	100.0	100.0	100.0	, 100.0	100.0	FC	FC	FC
Ondeo Industrial Solutions	23, rue du Professeur Pauchet 92420 Vaucresson - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
Waste Europe										
SITA Holdings UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES, United Kingdom	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SE Deutschland GmbH	Industriestrasse 161 D-50999, Köln, Germany	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SITA Nederland BV	Mr. E.N. van Kleffensstraat 6, Postbis 7009, NL - 6801 HA Amhem, Netherlands	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SITA France	132, rue des 3 Fontanot 92000 Nanterre - France	99.9	99.9	99.9	99.9	99.9	99.9	FC	FC	FC
SITA Île de France	2 à 6, rue Albert de Vatimesnil 92532 Levallois Perret - France	99.9	99.9	99.9	99.9	99.9	99.9	FC	FC	FC
Teris	54, rue Pierre Curie - ZI des Gâtines -	99.9	99.9	99.9	99.9	99.9	99.9	FC	FC	FC

	BP 131 - 78373 Plaisir - France									
SITA Belgium	Rue Gatti de Gamond 254 - 1180 Bruxelles - Belgium	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
SOCALUX	Lamesch SA - ZI Wolser Nord BP 75 - L-3201 Bettembourg - Luxembourg	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC	FC
Novergie Holding	235, avenue Georges Clémenceau 92746 Nanterre Cedex - France	99.9	99.9	99.9	99.9	99.9	99.9	FC	FC	FC
SITA SVERIGE AB.	Kungsgardsleden - 26271 Angelholm - Sweden	100.0	75.0	75.0	100.0	75.0	75.0	FC	FC	FC
SITA Finland OY AB	Sahaajankatu 49 - 00880 Helsinki - Finland	100.0	75.0	75.0	100.0	75.0	75.0	FC	FC	FC

(a) Agbar is fully consolidated in the accounts of Hisusa, which is itself proportionately consolidated by SUEZ Environnement Company. See also Note 2.

(b) Aguas Andinas is fully consolidated in the accounts of Agbar since January 1, 2006. Aguas Andinas is a subsidiary of IAM.

		% held			% controlled			Consolidation methods	
Names	Headquarters address	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007	Dec. 2006	Dec. 2008	Dec. 2007
International									
Swire SITA	2801 Island Place Tower - 510 King's Road - North Point - Hong-Kong	50.0	50.0	50.0	50.0	50.0	50.0	PC	PC
SITA Australia	PO Box 160, Kemps Creek NSW 2171 - Australia	60.0	60.0	60.0	60.0	60.0	60.0	FC	FC
SITA CZ	Konevova, 1107/54 - 130 00 Praha 3 - Czech Republic	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC
BVK	Hybelota 16 65733 Brno - Czech Republic	46.2	46.2	46.2	46.2	46.2	46.2	EM	EM
United Water	200 Old Hook Road, Harrington Park New Jersey - United States	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC
Macau Water	718 avenida do	42.5	42.5	42.5	Consolidated by SFH	Consolidated by SFH	Consolidated by SFH	PC	PC

	Conselheiro Borja Macau Via - Hong-Kong - China								
Degremont	183, avenue du 18 juin 1940 92500 Rueil Malmaison - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC
LYDEC	20, boulevard Rachidi, Casablanca – Morocco	51.0	51.0	51.0	51.0	51.0	51.0	FC	FC
SINO French Holding (SFH)	New World Tower 29/f 16-18 Queensroad Central - Hong Kong	50.0	50.0	50.0	50.0	50.0	50.0	PC	PC
PT PAM Lyonnaise JAYA	Central Senayan 1, 7th floor JI. Asia Afrika n°8 - 10270 Jakarta - Indonesia	51.0	51.0	51.0	51.0	51.0	51.0	FC	FC
SE Polska	UI. Kopernika, 17 - 02359 Warszawa - Poland	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC
Other									
SUEZ Environnement	1, rue d'Astorg 75008 PARIS - France	100.0	100.0	100.0	100.0	100.0	100.0	FC	FC

FC = Full consolidation

PC = Proportional consolidation (joint-venture)

EM = Equity method (associates)

NC = Not consolidated