CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY

FOR THE FISCAL YEARS ENDING DECEMBER 31, 2009 AND 2008

Consolidated statements of financial position

In millions of euros	Note	December 31, 2009	December 31, 2008
NON-CURRENT ASSETS			
Net intangible assets	10	2,235.8	1,867.2
Goodwill	9	3,069.5	2,897.5
Property, plant and equipment net	11	6,487.9	6,205.8
Available-for-sale securities	13	447.8	729.2
Loans and receivables carried at amortizated cost	13	400.3	457.4
Derivative financial instruments	13	44.8	89.6
Investments in associates		322.9	265.6
Other non current assets		121.3	120.0
Deferred tax assets	7	552.9	500.2
TOTAL NON-CURRENT ASSETS		**13,683.2**	**13,132.5**
CURRENT ASSETS			
Derivative financial instruments	13	11.7	0.3
Loans and receivables carried at amortized cost	13	204.6	151.8
Trade and other receivables	13	3,701.4	3,588.4
Inventories		270.4	245.9
Other current assets		823.5	872.6
Financial assets at fair value through income	13	1,141.1	51.0
Cash and cash equivalents	13	2,711.7	1,668.5
TOTAL CURRENT ASSETS		**8,864.4**	**6,578.5**
TOTAL ASSETS		**22,547.6**	**19,711.0**
Shareholders' equity, Group share		3,675.9	3,532.4
Minority interests		742.2	637.6
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	15	**4,418.1**	**4,170.0**
NON-CURRENT LIABILITIES			
Provisions	16	1,054.4	1,021.1
Long term borrowings	13	6,400.0	5,100.5
Derivative financial instruments	13	62.5	22.5
Other financial liabilities	13		18.9
Other non current liabilities		635.5	514.2
Deferred tax liabilities	7	287.0	332.7
TOTAL NON-CURRENT LIABILITIES		**8,439.4**	**7,009.9**
CURRENT LIABILITIES			
Provisions	16	334.6	306.9
Short term borrowings	13	3,680.2	2,620.8
Derivative financial instruments	13	57.1	83.3
Trade and other payables	13	3,741.4	3,863.7
Other current liabilities		1,876.8	1,656.4
TOTAL CURRENT LIABILITIES		**9,690.1**	**8,531.1**
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY AND LIABILITIES		**22,547.6**	**19,711.0**

Consolidated income statements

In millions of euros	Note	December 31, 2009	December 31, 2008
Revenues		12,296.4	12,363.7
Purchases		(2,886.4)	(2,677.2)
Personnel costs		(3,145.7)	(3,062.2)
Depreciation, amortization and provisions		(851.4)	(776.0)
Other operating income and expenses		(4,486.9)	(4,789.2)
CURRENT OPERATING INCOME	4	**926.0**	**1,059.1**
Mark-to-market on operating financial instruments		2.2	3.2
Impairment on property, plant and equipment, intangible and financial assets		(85.3)	(1.7)
Restructuring costs		(60.0)	(20.9)
Expenses linked to initial public offering		-	(50.8)
Disposal of assets		84.2	46.9
INCOME FROM OPERATING ACTIVITIES	5	**867.1**	**1,035.8**
Financial expenses		(358.8)	(420.8)
Financial income		98.8	91.0
Financial income/(loss)	6	**(260.0)**	**(329.8)**
Income tax expense	7	(128.8)	(92.7)
Share in net income of associates		37.6	34.0
CONSOLIDATED NET INCOME		**515.9**	**647.3**
of which, Group share		403.0	533.2
of which, minority interests		112.9	114.1
Consolidated net income (Group share) per share (in euro)	8	**0.82**	**1.09**

Consolidated Statements of comprehensive income

In millions of euros	*Note*	**December 31, 2009**	**December 31, 2008**
NET INCOME		**515.9**	**647.3**
Available-for-sale securities	13	(45.3)	(341.0)
Net investment hedges		6.5	23.2
Cash-flow hedges	14	(10.8)	(37.0)
Commodity cash-flow hedges	14	38.8	(54.6)
Actuarial gains and losses		(0.9)	(119.9)
Deferred taxes	7	25.3	114.9
Translation adjustments		27.2	(90.4)
Share of associates		(0.3)	(0.3)
Total income and expenses recognized directly in shareholders'equity		**40.5**	**(505.1)**
COMPREHENSIVE INCOME		**556.4**	**142.2**
Of which Group share		395.0	103.1
Of which minority interests		161.4	39.1

Statement of Changes in Consolidated Shareholders' Equity

In millions of shares	Number of shares	Share capital	Additional paid-in capital, Reserves and Net Income (Group Share)		Actuarial Gains and Losses	Changes in Fair Value and Other	Treasury Shares	Translation adjustments	Consolidated shareholders' equity Group share	Minority interests		TOTAL
Shareholders' equity at December 31, 2007	**489,699,060**	**1,958.6**	**1,459.8**		**25.5**	**386.9**		**(186.9)**	**3,643.9**	**613.0**		**4,256.9**
Consolidated net income			533.2						533.2	114.1		647.3
Income and expenses recognized directly in shareholders' equity					(115.7)	(202.6)		(111.8)	(430.1)	(75.0)		(505.1)
Comprehensive income			**533.2**		**(115.7)**	**(202.6)**		**(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
Shareholders' equity at December 31, 2008	**489,699,060**	**1,958.8**	**1,795.3**		**(90.1)**	**184.2**	**(17.1)**	**(298.7)**	**3,532.4**	**637.6**		**4,170.0**
Consolidated net income			403.0						403.0	112.9		515.9
Income and expenses recognized directly in shareholders' equity					(1.9)	(12.0)		5.9	(8.0)	48.5		40.5
Comprehensive income			**403.0**		**(1.9)**	**(12.0)**		**5.9**	**395.0**	**161.4**		**556.4**
Employee share issues and share-based payment			51.9						51.9			51.9
Capital increase/ reduction		-							-	11.4		11.4
Net acquisition of treasury shares			3.1				12.4		15.5			15.5
Dividends paid			(317.6)						(317.6)	(113.8)		(431.4)
Other changes			(1.3)						(1.3)	45.6	(d)	44.3
Shareholders' equity at December 31, 2009	**489,699,060**	**1,958.8**	**1,934.4**		**(92.0)**	**172.2**	**(4.7)**	**(292.8)**	**3,675.9**	**742.2**		**4,418.1**

Note 15, "Equity" details certain information provided above.

(a) See Note 2 on major transactions, in particular the paragraphs relating to the signing of the contract between SUEZ SA and SUEZ ENVIRONNEMENT COMPANY relating to the management of the Argentinean dispute.
(b) Primarily resulting from reclassifications of shares between SUEZ SA and SUEZ ENVIRONNEMENT subsidiaries. These transactions between entities under common control have been recorded at their book value. No goodwill has been recognized (see Note 1, Paragraph 1.1)
(c) See Note 2 on major transactions. This movement mainly relates to the accounting treatment of the Public Offering for Agbar shares in January 2008.
(d) See Note 2 on major transactions. This movement mainly relates to the commissioning of the EVI incinerator at Sita Nederland BV.

CONSOLIDATED CASH FLOW STATEMENTS

In millions of euros	December 31, 2009	December 31, 2008
Consolidated net income	**515.9**	**647.3**
- Share in net income of associates	(37.6)	(34.0)
+ Dividends received from associates	31.4	21.7
- Net depreciation, amortization and provisions	927.1	724.8
- Net capital gains on disposals	(84.2)	(46.9)
- Other items with no cash impact	55.9	53.5
- Income tax expense	128.8	92.7
- Net financial loss	260.0	329.8
Cash from operations before financial income/(expense) and income tax	**1,797.3**	**1,788.9**
+ Tax paid	(114.9)	(204.8)
Change in working capital requirements	**(76.7)**	**(51.9)**
Cash from /(used in) operating activities	**1,605.7**	**1,532.2**
Investments in property, plant and equipment and intangible assets	(1,083.3)	(1,143.9)
Acquisitions of entities net of cash and cash equivalents acquired	(206.0)	(1,419.4)
Acquisitions of available-for-sale securities	(124.4)	(36.1)
Disposals of tangible and intangible fixed assets	16.9	39.7
Disposals of entities net of cash and cash equivalents sold	8.2	(18.2)
Disposals of available-for-sale securities	326.7	144.8
Interest received on non-current financial assets	3.8	4.3
Dividends received on non-current financial assets	39.8	33.0
Change in loans and receivables issued by the Company and others	(6.0)	(22.7)
Cash from/(used in) investing activities	**(1,024.3)**	**(2,418.5)**
Dividends paid	(431.4)	(496.6)
Repayment of financial debt (a)	(1,911.8)	(494.3)
Change in financial assets at fair value through income (b)	(1,084.4)	129.3
Financial interest paid	(217.9)	(352.6)
Financial interest received on cash and cash equivalents	21.9	41.1
Increase in financial debt (c)	4,052.9	2,326.4
Increase in share capital	12.9	1.2
Disposals of treasury shares	15.5	
Cash from/(used in) financing activities	**457.7**	**1,154.5**
Impact of changes in exchange rates and other	4.1	(65.9)
TOTAL CASH FLOWS FOR THE PERIOD	**1,043.2**	**202.3**
OPENING CASH AND CASH EQUIVALENTS	**1,668.5**	**1,466.2**
CLOSING CASH AND CASH EQUIVALENTS	**2,711.7**	**1,668.5**

(a) 2009 includes repayment of the GDF SUEZ Finance current accounts of 982 million euros

(b) Including UCITS subscription totaling 1,078 million euros

(c) Including 3-billion euros bond issuance

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NOTE 1 – BASIS OF PRESENTATION – ACCOUNTING PRINCIPLES AND METHODS

1.1 BASIS OF PRESENTATION

SUEZ ENVIRONNEMENT COMPANY S.A., the parent company of the Group, which includes all Water and Waste activities (the Group), is a French corporation [*société anonyme*] subject to the provisions of Book II of the French Commercial Code, as well as to all other legal provisions applying to French commercial corporations. It was established in November 2000. Its corporate headquarters are located in Paris at (75008), 1 rue d'Astorg. – France.

SUEZ ENVIRONNEMENT COMPANY S.A. shares are listed on the Paris and Brussels stock exchanges.

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 has been listed on the Euronext Paris market (*Compartiment* 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, 2009, with their comparison for 2008, were presented according to the "pooling of interests" method.

1.2 ACCOUNTING STANDARDS

Pursuant to European Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ ENVIRONNEMENT COMPANY has been provided for the last two reporting periods ended December 31, 2008 and 2009, and were prepared in accordance with European Regulation 1606/2002 of July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's Consolidated Financial Statements for the year ended December 31, 2009 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union[1].

The accounting standards applied in preparing the financial statements as of December 31, 2009 are consistent with those applied in preparing the financial statements of December 31, 2008, with the exception of the items mentioned in Section 1.2.1 below.

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

1.2.1 Mandatory IFRS standards, amendments and IFRIC interpretations applicable to the 2009 annual financial statements

- Amendments to IFRIC 9 and IAS 39 – *Reassessment of embedded derivatives*
- Amendments to IFRS 1 and IAS 27 – *Cost of an investment in a subsidiary, jointly controlled entity, or associate*
- Amendment to IFRS 2 – *Vesting conditions and cancellations*
- Amendments to IAS 32 and IAS 1 – *Puttable Instruments and Obligations arising on liquidation*
- IFRIC 13 – *Customer loyalty programmes*
- IFRIC 15 – *Agreements for the construction of real estate**
- IFRIC 16 – *Hedges of a net investment in a foreign operation**
- IFRIC 18 – *Transfer of assets from customers **
- 2008 Improvements to IFRS – *Annual improvement to IFRS*[1]

*Endorsed by the European Union in 2009 but with a mandatory date of application deferred to fiscal year 2010.

These standards, amendments and interpretations have not resulted in any significant impact on the Group's financial statements.

- Amendment to IFRS 7 – *Improvement in disclosures about financial instruments*
  This amendment requires additional disclosures regarding fair value measurement and liquidity risk. Fair-value measurements of items recorded at fair value must be disclosed by class of financial instrument, according to a new fair-value hierarchy using a three-level hierarchy, depending upon whether the instrument is quoted on an active market, or whether its measurement uses techniques based on observable market data or based on non-observable data. This amendment also clarifies information to be provided on liquidity risk relating to derivatives and assets used for liquidity risk management. Information on fair-value measurement is presented by class of financial instruments in Note 14, as well as relative to liquidity risk in Note 14.1

- IAS 1 – *Presentation of financial statements* (revised in 2007)
  This revised regulation specifically introduces the statement of comprehensive income which presents all items of recognized income and expense in the period, either in one single statement or in two separate statements : the income statement, displaying components of profit or loss and the statement of comprehensive income, displaying components of other comprehensive income. The Group has elected to present two statements.

The Group decided to early apply IFRS 8 in 2008 and IFRIC 12 in 2006. Similarly, the IAS 23 revised, applicable in 2009, has no impact on the Group's financial statements, as the Group has always applied the allowed alternative treatment whereby borrowing costs attributable to the construction of a qualifying asset are capitalized in the cost of that asset.

1.2.2 IFRS standards and IFRIC interpretations that are mandatory after 2009 and that have not been adopted early by the SUEZ ENVIRONNEMENT COMPANY Group

- IFRS 9 – *Financial instruments*
- IFRS 3 revised – *Business combinations*
- Amendment to IAS 32 – *Classification of rights issues*

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[1] *Except the amendment to IFRS 5, applicable to fiscal yearsbeginning on or after July 1, 2009*

- Amendment to IAS 39 – *Eligible hedged items*
- IAS 24 revised – *Related party disclosures*
- IAS 27 revised – *Consolidated and separate financial statements*
- IFRIC 17 – *Distribution of non-cash assets to owners*
- IFRIC 19 – *Extinguishing financial liabilities with equity instruments*
- Amendment to IFRIC 14 – *Prepayments of a minimum funding requirement*
- Improvements to IFRS 2009 – *Annual improvement to IFRS*
- Amendment to IFRS 2 – *Group cash settled share-based payment transactions*

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

1.3 MEASUREMENT BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

1.4 USE OF JUDGMENT AND ESTIMATES

The crisis raging across financial markets over the last two years has prompted the Group to step up its risk monitoring 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 the statement of financial position 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),
- unmetered 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 already 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 provisions booked.

1.4.1.3 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 (as defined by 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.

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 documented. However, any changes in these assumptions may have a material impact on the resulting calculations.

1.4.1.5 Financial instruments

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

1.4.1.6 Revenues

Revenues generated from customers whose consumption is metered during the accounting period are estimated at the statement of financial position 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 profit will be available to the Group against which the tax loss carry-forwards can be utilized. Estimates of taxable profit and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan.

1.4.2 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, the classification of agreements that contain a lease, 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 statement of financial position. For most of the Group's activities, the breakdown into current and non-current items is based on when assets are expected to be realized, or liabilities extinguished. Assets expected to be realized or liabilities extinguished within 12 months of the statement of financial position date are classified as current, while all other items are classified as non-current.

1.5 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 28 - List of the main consolidated companies at December 31, 2009 and 2008.

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 statement of financial position date:

- Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the 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 statement of financial position is 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" as Other Comprehensive Income.

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 as Other Comprehensive Income 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 in 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, within 12 months of the acquisition date, recognize any adjustments to provisional values as a result of completing the initial accounting of a business combination.

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) and 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 exceeds 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 "Impairment of property, plant and equipment and intangible assets."

Impairment losses in relation to goodwill cannot be reversed and are shown under "Impairment" in the 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.

Intangible assets are amortized on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset.

If this cannot be reliably calculated, the straight-line method is used, as a function of the useful lives presented in the table below (in years).

	Length	
	Minimum	Maximum
Concessions rights	10	50
Customer 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 recognition and subsequent measurement

Items of property, plant and equipment are recognized at their historical cost of acquisition, production or entry to the Group, less any accumulated depreciation and any accumulated impairment losses.

The carrying amount of these items is not revalued as the Group has elected not to apply the allowed alternative method, which consists of regularly revaluing one or more categories of property, plant and equipment.

Investment subsidies are deducted from the gross value of the assets concerned under the heading they were received.

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.

The Group applies the revised IAS 23, which capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

1.5.5.2 Depreciation

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.

Depreciation is calculated on a straight-line basis over normal useful lives.

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 infrastructure.

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 restoration provisions, they are amortized according to the method set forth in Section 16.4.

1.5.6 Concessions Arrangements :

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.

On November 30, 2006, the IFRIC published IFRIC 12 - Service Concession Arrangements, which deals with the accounting treatment to be applied by the concession operator in respect of certain concession arrangements.

These interpretations set out the common features of concession arrangements:

- concession arrangements involve the provision of a public service and the management of associated infrastructure, together with specific capital renewal and replacement obligations,
- the grantor is contractually obliged to provide these services to the public (this criterion must be met for the arrangement to qualify as a concession),
- the operator is responsible for at least some of the management of the infrastructure and does not merely act as an agent on behalf of the grantor,
- the contract sets the initial prices to be levied by the operator and regulates price revisions over the concession period.

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

- 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,
- and the grantor controls the infrastructure, i.e. retains the right to take back the infrastructure at the end of the concession.

Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the party primarily responsible for payment. Thus:

- 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 has an unconditional right to receive cash or another financial asset, either directly from the grantor or indirectly by means of warranties given by the grantor for amounts receivable 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 treatment and household waste incineration).

Pursuant to these principles:

infrastructure to which the operator is given access by the grantor of the concession at no consideration is not recognized in the statement of financial position,

start-up capital expenditure is recognized as follows:

- under the intangible asset model, the fair value of construction and other work on the infrastructure represents the cost of the intangible asset and should be recognized when the infrastructure is built provided that this work is expected to generate future economic benefits (e.g., the case of work carried out to extend the network). Where no such economic benefits are expected, the present value of commitments in respect of construction and other work on the infrastructure is recognized from the outset, with a corresponding adjustment to concession liabilities,
- under the financial asset model, the amount receivable from the grantor is recognized at the time the infrastructure is built, at the fair value of the construction and other work carried out,
- when the grantor has a payment obligation for only part of the investment, the cost is recognized in financial assets for the amount guaranteed by the grantor, with the balance included in intangible assets ("mixed model").

Renewal costs consist of obligations under concession arrangements with potentially different terms and conditions (obligation to restore the site, renewal plan, tracking account, etc.).

Renewal costs are recognized as either (i) intangible or financial assets depending on the applicable model, when the costs are expected to generate future economic benefits (i.e. they bring about an improvement); or (ii) expenses, where no such benefits are expected to be generated (i.e. the infrastructure is restored to its original condition).

Costs incurred to restore the asset to its original condition are recognized as a renewal asset or liability when there is a timing difference between the contractual obligation calculated on a time proportion basis, and its realization.

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

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 and 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.

Impairment indicators

This impairment test is only carried out for property, plant and equipment and intangible assets with finite 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 or market environment 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 and 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 item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized in prior periods.

Measurement of recoverable amount

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are, where appropriate, 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 a CGU 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 related carrying amount 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 statement of financial position date.
In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under "Impairment".

1.5.8 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 lessor transfers ownership of the asset to the lessee by the end of the lease term; (ii) the lessee has an option to purchase the asset and if so, the conditions applicable to exercising that option; (iii) the lease term is for the major part of the estimated economic life of the asset; (iv) the asset is of a highly specialized nature ; and (v) the present value of the minimum lease payments amounts to at least substantially all of 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 should be recognized to reflect the financing deemed to be granted by the Group where it is considered as acting as lessor and its customers as lessees.

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 equity or debt instruments that do not satisfy the criteria for classification in another category (see below).

These items are measured at fair value on initial recognition, which generally corresponds to the acquisition cost plus transaction costs. Subsequently, available-for-sale securities are measured by using a weighted average cost formula.

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

Changes in fair value are recognized directly in Other Comprehensive Income, except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment if needed. In this case, 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 statement of financial position date, they are measured at amortized cost using the effective interest rate method.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. This item 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 statement of financial position date and changes in fair value are recorded in the income statement.

1.5.10.2 Financial liabilities

Financial liabilities include borrowings, 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 statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the statement of financial position date,
- financial liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the statement of financial position date,
- financial liabilities held primarily for trading purposes,
- derivative financial instruments qualifying as fair value hedges where the underlying is classified as a current item,
- all 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 taken to 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 statement of financial position date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill,

- payments of dividends to minority interests result in an increase in goodwill,

- in the income statement, minority interests are allocated their share in income. In the statement of financial position, the share in income allocated to minority interests reduces the carrying amount of goodwill. No finance costs are recognized in respect of changes in the fair value of liabilities recognized against goodwill.

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 statement of financial position date or in accordance with the contractual conditions applicable to the exercise price based on the latest available information.

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

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.

Hedging instruments: recognition and presentation

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

- a fair value hedge of an asset or liability,

- a cash flow hedge,

- a hedge of a net investment in a foreign operation.

Fair value hedges

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

The gain or loss from 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 respect of which changes in fair value are recognized through equity (Other Comprehensive Income). 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 equity (Other Comprehensive Income) net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in equity are reclassified to the 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 equity until the forecast transaction occurs. However, if a forecast transaction is no longer probable, the cumulative gain or loss on the hedging instrument is recognized in income.

Hedge of a net investment in a foreign operation

In the same way as for a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge of the currency risk is recognized directly in equity, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in equity are transferred to the consolidated income statement when the investment is sold 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. 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 by the Group.

Derivative instruments not qualifying for hedge accounting: recognition and presentation

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

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, changes in fair value are recognized directly in income, under “Mark-to-market” or “Mark-to-market on commodity contracts other than trading instruments”, in current operating income for derivative instruments with non-financial assets, and in financial income or expenses for currency, interest rate and equity derivatives.

Measurement of fair value

The fair value of listed instruments on an active market is determined based on the market price. In this case, these instruments are presented at Level 1 of the fair value measurement.

The fair value of non-listed financial instruments for which there is observable market data is determined by using valuation techniques such as the valuation models applied for options, or by using the discounted cash flow method.
The models used to value these instruments include 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 foreign exchange contracts and currency swaps is calculated based on current prices for contracts with similar maturity profiles by discounting the future cash flow spread (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 interest rate options is determined using valuation techniques for options;
- commodity derivatives are valued as a function of market quotes based on discounted future cash flows (firm contracts: commodity swaps or commodity forwards), and option valuation models (optional contracts) for which it may be necessary to observe market price volatility. For contracts with maturity exceeding the depth of transactions for which prices are observable, or that are particularly complex, valuations may be based on internal assumptions;
- for complex contracts entered into with independent financial institutions, the Group uses valuations carried out by counterparties, on an exceptional basis.

These instruments are presented in Level 2 of the fair value measurement hierarchy, unless their valuation depends significantly on non-observable parameters. In this case, they are presented at Level 3 of the fair value measurement hierarchy. These largely involve derivative financial instruments with maturities exceeding the observable horizon for the forward prices of the underlying asset, or for which certain parameters, such as underlying volatility, are not observable.

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 statement of financial position 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 (personnel costs) 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

Options granted to Group employees are measured at the grant date using a binomial pricing model for options with no performance conditions, or a Monte Carlo pricing model for those with performance conditions. These models take into account the characteristics of the plan concerned (exercise price, exercise period, performance conditions if any), market data at the time of grant (risk-free rate, share price, volatility, expected dividends), and a behavioral assumption in relation to beneficiaries. The value determined is recorded in personnel costs over the vesting period and offset against 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 into account the non-transferability period associated with these intruments. The cost is expensed over the vesting period of the rights and offset against 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 under employee share purchase plans is estimated on the allotment date based on this discount awarded to employees and non-transferability period applicable to the share subscribed. The cost is recognized in full and offset against equity.

Cash-settled instruments

In specific 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 an offsetting entry recorded in employee-related liabilities. Changes in the fair value of the liability are taken to income for each fiscal year.

1.5.15 Provisions

1.5.15.1 Provisions for post-employment benefit obligations 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. When the value of plan assets (capped where appropriate) is greater than the related commitments, the surplus is recorded as an asset under "Other current assets" or "Other non-current assets."

As regards post-employment benefit obligations, the Group has elected to use the option available under IAS 19 to discontinue the corridor method, and to recognize actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments directly to Other Comprehensive Income (equity) items.

Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

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

The interest cost in respect of pensions and other employee benefit obligations, and the expected return on related plan assets, are presented as a financial expense.

1.5.15.2 Other provisions

The Group records a provision where it has a present obligation (legal or constructive), the settlement of which is expected to result in an outflow of resources embodying economic benefits with no corresponding consideration in return.

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

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The Group's main long-term provisions are provisions for site restoration costs (relating to the waste services business). The discount rate (or rates) used reflect current market measurements 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. Adjustments to the provision due to subsequent changes in the expected outflow of resources, the site restoration 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), or as a function of the progress of the contract, in the case of provisions of services and construction contracts, when the price is set or calculable and receivables are likely to be recoverable.

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.

The price for wastewater services and wastewater treatment is either included in the water distribution invoice, or is sent in a separate invoice to the local municipality or industrial client.

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

1.5.16.2 Waste services

In most cases, waste collection revenue is calculated based on 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.

Revenues also include revenues 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 2009-R03 in the financial statements of companies applying IFRS). 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 in 2008 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.

Cash flows related to payment of taxes are treated separately.

1.5.19 Income Tax Expense

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

In accordance with IAS 12, deferred taxes are recognized according to the liability method on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the statement of financial position date. However, under the provisions of IAS 12, no deferred taxes are recognized for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred tax assets are only recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized.

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

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Net balances of deferred tax are calculated based on the tax position of each company or on the total income of the companies included within the consolidated tax group and the net position of each fiscal entity is recorded on the statement of financial position under assets or liabilities, as appropriate.

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

Deferred tax assets and liabilities are not discounted.

1.5.20 Earnings per share

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

NOTE 2 – MAJOR TRANSACTIONS

2.1 SIGNIFICANT EVENTS IN 2009

2.1.1 Preliminary agreement with Criteria CaixaCorp for the takeover by SUEZ ENVIRONNEMENT of the Water and Environment activities of Aguas de Barcelona

On October 22nd, 2009, SUEZ ENVIRONNEMENT and Criteria CaixaCorp (CRITERIA) signed a binding preliminary agreement regarding a global transaction on Aguas de Barcelona (AGBAR).

This transaction includes:

- A delisting tender offer in cash to be launched by AGBAR on its own shares, at a price of €20 per share, for a total consideration of up to €299million. The shares acquired through this delisting tender offer will be subsequently redeemed.
- SUEZ ENVIRONNEMENT's acquisition of AGBAR shares held by CRITERIA, for €20 per share, to achieve a final 75.01% stake in AGBAR, i.e., a total amount of €647 million.
- The simultaneous disposal to CRITERIA of the 54.8 % stake held by AGBAR in ADESLAS, for €687 million.
- At the same time, CRITERIA will take full control of ADESLAS via the additional acquisition of the 45 % held by MALAKOFF MEDERIC.

The two transactions between SUEZ ENVIRONNEMENT and CRITERIA (sale of ADESLAS and takeover by SUEZ ENVIRONNEMENT of AGBAR's Water and Environment activities) are linked and are dependant on the prior effective completion of the delisting tender offer made by AGBAR on its own shares.
This delisting tender offer is subject to approval by AGBAR's Extraordinary Shareholders' Meeting and the approval of the transaction by CNMV (Spanish Stock Exchange authority).

In addition, this transaction is subject to various regulatory and legal approvals (notably, the relevant competition authorities), as regards both SUEZ ENVIRONNEMENT's acquisition of exclusive control of AGBAR and CRITERIA's acquisition of control of ADESLAS. This latter transaction is also subject to the approval of the Spanish insurance supervisory authority.
(See section 20.1 – Note 27 "Subsequent events" for detailed changes since December 31, 2009.)

2.1.2 Significant contracts

New construction and operation contract in Melbourne, Australia

Through its Degrémont subsidiary and the AquaSure joint-venture (SUEZ ENVIRONNEMENT, Degrémont, Thiess, an Australian construction and services company and Macquarie Group, international provider of banking, financial and funds management services), SUEZ ENVIRONNEMENT was awarded the contract for the seawater desalination plant project managed by the State of Victoria, which will provide one-third of metropolitan Melbourne's water needs by the end of 2011.
This contract includes the financing, design, construction and operation, for the period to 2039, of the plant, which will have a daily capacity of 450,000 m3 of drinking water, and the 85-km water distribution network. The total amount of the investment is €2 billion.
This contract represents total revenues of €1.2 bilion over 30 years for SUEZ ENVIRONNEMENT and Degrémont.

Renewal of the Macao water services concession contract

Via its Macao Water subsidiary, SUEZ ENVIRONNEMENT signed the renewal of a concession contract to provide water services for the next 20 years in the Macao (China) Special Administrative Region. This contract will generate total revenues of approximately €500 million (SUEZ ENVIRONNEMENT share) over the period.

Commissioning of the EVI incinerator

The EVI incineration plant, located in the Europapark international industrial park in Emlichheim-Coevorden on the German-Dutch border, was commissioned on April 2nd, 2009. This incineration plant, which has a total capacity of 365,000 tons, is used to internalize the treatment of flows of waste collected in the Benelux–Germany zone.

2.1.3 Acquisitions

SUEZ ENVIRONNEMENT took exclusive control of Swire-Sita, a company previously owned at 50%. This transaction, launched in 2008, was approved by the Hong Kong authorities on December 22, 2009.

Through its Sino French Water Development (SFWD) subsidiary, SUEZ ENVIRONNEMENT participated in the formation of a new joint venture for the supply of water in Tianjin, China. Tianjin Sino French Jieyuan Water Co. is a joint-venture in which SFWD and Tianjin Water Works Group hold 52% and 48% stakes, respectively. This company will be responsible for operating the Jieyuan water station, which supplies 1 million inhabitants, i.e., one-third of the urban population of Tianjin.

In the second quarter of 2009, SUEZ ENVIRONNEMENT, via its SITA Sverige (Sweden) subsidiary, acquired the shares of Allren i Sverige AB. Allren i Sverige AB is active in the collection, sorting and recycling of waste (sales of €11.3 million in 2009)

2.1.4 Disposals

The Group sold its entire stake in the Wasteman Group, which specializes in the collection and treatment of waste in South Africa.

During the year, SUEZ ENVIRONNEMENT sold its entire stake in Gas Natural on the stock market.

In December 2009, SUEZ ENVIRONNEMENT, via its Sita UK subsidiary, sold its stake in LondonWaste, a company specializing in incineration.

2.1.5 Agreement for unwinding cross holdings in joint subsidiaries with Veolia Environnement

On December 19, 2008, a memorandum of understanding was signed with Veolia Eau – Cie Générale des Eaux, a subsidiary of Veolia Environnement and Lyonnaise des Eaux, a subsidiary of SUEZ ENVIRONNEMENT, in order to unwind their direct and indirect joint stakes in certain drinking water and wastewater companies in France. This decision by the two groups followed the decision taken by the French Competition Commission (*Conseil de la Concurrence)* on July 11, 2002.

On December 31st 2009, the unwinding process was underway (see Notes 26.1 and 27 of this chapter).

2.1.6 Other major events

Bond issuances

As part of its policy covering the funding, diversification and lengthening of the maturity of its debt, SUEZ ENVIRONNEMENT COMPANY came out with a series of bond issues as part of the Euro Medium Term Notes (EMTN) program set up in March 2009. Some €3 billion in bonds have been issued since March 2009. The breakdown of these transactions is shown in Note 13.3 of this chapter.

Launch of the first SUEZ ENVIRONNEMENT COMPANY employee bonus share allocation plan

Pursuant to the resolution approved at the Shareholders’ Meeting of SUEZ ENVIRONNEMENT COMPANY on May 26, 2009, the Board of Directors decided to award 30 SUEZ ENVIRONNEMENT COMPANY shares to each of the Group’s 68,000 employees, i.e., more than 2 million existing shares.

Launch of the first SUEZ ENVIRONNEMENT COMPANY stock option and performance share plans:

On December 17, 2009, the Board of Directors decided to award 3,464,440 stock options and 173,852 performance shares to SUEZ ENVIRONNEMENT Group employees. See Note 23 of this document.

Moving of the head offices of SUEZ ENVIRONNEMENT and of its French subsidiaries

The SUEZ ENVIRONNEMENT Group decided to bring together in one place the teams of the head office of SUEZ ENVIRONNEMENT, as well as those of its subsidiaries Lyonnaise des Eaux, Sita France, Degrémont and OIS. The moving of these teams to a single site in the La Défense area (Paris region) is expected to be finalized by the end of 2010.

2.2 SIGNIFICANT EVENTS IN 2008

2.2.1 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 COMPANY 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 Depots 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 26.2 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 and two of its subsidiaries (Lyonnaise des Eaux France and SITA France) from GIE SUEZ Alliance

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. Accordingly, 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.

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.

2.2.2 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 CaixaCorp 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 CaixaCorp. (non-group): 11.55%

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

We remind the reader that 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.

2.2.3 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 income from operating activities and €25.5 million on its net income Group share.

2.2.4 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.

2.2.5 Acquisitions

On August 1, 2008, SUEZ ENVIRONNEMENT acquired Utility Service Company Inc. (USC) through its subsidiary SUEZ ENVIRONNEMENT North America. USC, a company based in the US State of Georgia and present throughout the United States, is the national leader in the management of maintenance services for water storage tanks for local authorities. 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, via its SUEZ ENVIRONNEMENT Hong Kong subsidiary, acquired 50% of the shares of Suyu, a company that owns 15% of Chongqing Water Group (CWG). CWG is the leader in water and wastewater services in the province of Chongqing, China.

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

SUEZ ENVIRONNEMENT acquired from EON, a German group, 25% of the shares of SITA Sverige (Sweden). The Group holds all of the company's shares since June 30th, 2008.

The AGBAR Group, 51% held by SUEZ ENVIRONNEMENT, acquired 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.

NOTE 3 – OPERATING SEGMENT INFORMATION

In accordance with the provisions of IFRS 8 – Operating Segments, 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 rendered 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, including SUEZ ENVIRONNEMENT COMPANY.

3.2 KEY INDICATORS BY OPERATING SEGMENT

Revenues

In millions of euros	December 31, 2009			December 31, 2008		
	Non-group	Group	TOTAL	Non-group	Group	TOTAL
Water Europe	3,993.3	13.4	4,006.7	3,853.1	12.1	3,865.2
Waste Europe	5,319.0	39.6	5,358.6	5,727.9	42.3	5,770.2
International	2,968.6	23.3	2,991.9	2,765.4	32.4	2,797.8
Other	15.5	42.8	58.3	17.3	32.9	50.2
Intercompany eliminations		(119.1)	(119.1)		(119.7)	(119.7)
Total Revenue	**12,296.4**	**0.0**	**12,296.4**	12,363.7	0.0	12,363.7

EBITDA

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Water Europe	865.5	811.6
Waste Europe	797.7	924.0
International	468.3	418.8
Other	(71.6)	(52.5)
TOTAL EBITDA	**2,059.9**	**2,101.9**

CURRENT OPERATING INCOME

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Water Europe	432.7	415.4
Waste Europe	314.1	468.9
International	309.1	282.3
Other	(129.9)	(107.5)
TOTAL Current Operating Income	**926.0**	**1,059.1**

Depreciation and amortization

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Water Europe	(242.1)	(232.6)
Waste Europe	(456.5)	(433.3)
International	(137.4)	(124.5)
Other	(2.1)	(2.0)
TOTAL Depreciation and amortization	**(838.1)**	**(792.4)**

Capital employed

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Water Europe	3,423.8	3,208.5
Waste Europe	4,370.6	4,118.4
International	2,788.3	2,639.1
Other	(51.1)	160.4
TOTAL CAPITAL EMPLOYED	**10,531.6**	**10,126.4**

Impairment posted to income

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Water Europe	(1.6)	0.5
Waste Europe	(55.9)	(8.7)
International	(24.4)	1.0
Other	(3.4)	5.5
TOTAL IMPAIRMENT RECOGNIZED IN INCOME	**(85.3)**	**(1.7)**

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

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Water Europe	(394.4)	(719.8)
Waste Europe	(495.4)	(889.8)
International	(256.6)	(555.1)
Other	(267.2)	(434.7)
TOTAL INVESTMENTS	**(1,413.6)**	**(2,599.4)**

3.3 KEY INDICATORS BY GEOGRAPHICAL AREA

The following indicators are analyzed by:

- destination of products and services sold for revenue,
- geographical location of consolidated companies for capital employed

	Revenues		Capital employed	
In millions of euros	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
France	5,485.0	5,522.0	2,381.2	2,509.8
Europe	4,699.4	4,972.6	5,552.3	5,378.6
International	2,112.0	1,869.1	2,598.1	2,238.0
TOTAL	**12,296.4**	**12,363.7**	**10,531.6**	**10,126.4**

3.4 RECONCILIATION OF EBITDA WITH CURRENT OPERATING INCOME

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Current operating income	926.0	1,059.1
(-) Depreciation, amortization and provisions	851.4	776.0
(-) Share-based payments (IFRS 2)	55.9	53.4
(-) Disbursements under concession contracts	226.6	213.4
EBITDA	**2,059.9**	**2,101.9**

3.5 RECONCILIATION OF CAPITAL EMPLOYED

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
(+) Tangible and intangible assets	8,723.7	8,073.0
(+) Goodwill (net)	3,069.6	2,897.5
(+) Available-for-sale securities (excluding marketable securities)	445.2	682.5
(+) Investments in associates	322.9	265.6
(+) Trade and related receivables	3,701.4	3,588.4
(+) Inventories	270.4	245.9
(+) Loans and advances to associates	605.0	671.6
(+) Other current and non-current assets	944.8	992.6
(-) Provisions and actuarial gains/losses on pension plans	(1,297.6)	(1,237.5)
(-) Trade and related payables	(3,741.4)	(3,863.7)
(-) Other current and non-current liabilities	(2,512.3)	(2,170.6)
(-) Other financial liabilities	0.0	(18.9)
Capital employed	**10,531.6**	**10,126.4**

NOTE 4 – CURRENT OPERATING INCOME

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Revenues	12,296.4	12,363.7
Purchases	(2,886.4)	(2,677.2)
Personnel costs	(3,145.7)	(3,062.2)
Depreciation, amortization and provisions	(851.4)	(776.0)
Other operating income and expenses	(4,486.9)	(4,789.2)
CURRENT OPERATING INCOME	**926.0**	**1,059.1**

4.1 REVENUES

The Group revenues per category (see Note 3.2) are as follows:

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Sale, transport and distribution of electricicty	431.2	415.4
Water and waste	10,589.3	10,715.1
Engineering, construction contracts and services	1,275.9	1,233.2
Total	**12,296.4**	**12,363.7**

The 2009 decline in "Water and Waste Services" revenue is primarily due to the Waste Europe segment.

The 2009 increase in "Engineering contracts, construction contracts and provision of services" revenue is related to the implementation of the Melbourne contract at Degrémont.

4.2 PERSONNEL COSTS

Net costs relating to pension plans (defined contributions and defined benefits) are shown in Note 17.

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Salaries and expenses / retirement expenses	(3,089.1)	(3,009.3)
Share-based payments	(56.6)	(52.9)
Total	**(3,145.7)**	**(3,062.2)**

Share-based payments are broken down in Note 23.

4.3 DEPRECIATION , AMORTIZATION AND PROVISIONS

The amounts shown below are net of reversals.

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Depreciation and amortization	(838.1)	(792.4)
Depreciation of inventories and trade receivables	(16.0)	(24.0)
Provisions	2.7	40.4
Total	**(851.4)**	**(776.0)**

Depreciation is distributed as follows: €660.5 million for property, plant and equipment, and €177.6 million for intangible assets. The breakdown by type of asset is described in Notes 10 and 11.

4.4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include the following:

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Other operating income	**63.1**	**59.6**
Other operating expenses	**(4,550.0)**	**(4,848.8)**
Sub-contracting	(1,489.6)	(1,516.2)
Other expenses	(3,060.4)	(3,332.6)
Total	**(4,486.9)**	**(4,789.2)**

"Other expenses" primarily include the following types of costs: leasing expenses, external personnel, professional fees and compensation of intermediaries, and duties and taxes excluding income tax.

The 2010 French finance law introduced the Territorial Economic Contribution to replace the Business Tax (Taxe Professionnelle). Although the methods of calculating the Territorial Economic Contribution differ from the methods of calculating the previous tax, the Group believes that its intrinsic characteristics are consistent. Thus, the Territorial Economic Contribution will be recognized under Current Operating Income, consistent with the Business Tax.

NOTE 5 – INCOME FROM OPERATING ACTIVITIES

In millions of euros	December 31, 2009	December 31, 2008
CURRENT OPERATING INCOME	**926.0**	**1,059.1**
Mark-to-market on operating financial instruments	2.2	3.2
Impairment on property, plant and equipment, intangible and financial assets	(85.3)	(1.7)
Restructuring costs	(60.0)	(20.9)
Expenses linked to initial public offering and change of logo	0.0	(50.8)
Disposal of assets	84.2	46.9
INCOME FROM OPERATING ACTIVITIES	**867.1**	**1,035.8**

5.1 MTM ON OPERATING FINANCIAL INSTRUMENTS

The mark to market on operating financial instruments amounted to a total of €2.2 million at December 31, 2009, resulting primarily from the following factors:

- to optimize their margins, certain Group entities implement economic hedging strategies through forward contracts traded on the wholesale markets, aimed at reducing the sensitivity of the Group's margins to commodity price fluctuations. However, to the extent that these strategies hedge net exposure to the price risk of the entities in question, these strategies are not eligible for the recognition of hedging in accordance with the provisions of IAS 39 – "Financial Instruments – recognition and measurement." Consequently, all changes in fair value of forward contracts must be recognized on the income statement.

- gains and losses are recognized under income for the ineffective portion of strategies to hedge future cash flows 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, 2009	Dec. 31, 2008
Impairments:			
Goodwill		(10.5)	(4.6)
Property, plant and equipment and other intangible assets		(61.3)	(12.0)
Financial assets		(32.7)	(9.6)
	Total	**(104.5)**	**(26.2)**
Write-back of impairments:		**19.2**	**24.5**
Total		**(85.3)**	**(1.7)**

5.2.1 Impairment of goodwill

Non significant impairments were recognized related to the goodwill on the statement of financial position in accordance with the procedure described in Note 9.

5.2.2 Impairment on property, plant and equipment and intangible assets excluding goodwill

Impairment on inventory and trade receivables is shown in Note 4 "depreciation, amortization and provisions".

In 2009, impairment on property, plant and equipment and intangible assets corresponded primarily to Degrémont, as well as to the Waste Europe sector.

Regarding Degrémont, impairment corresponds to the Jumeirah Golf Estates contract in Dubai. Due to the financial crisis and the late-November 2009 bankruptcy of Dubai World and its subsidiaries, which are Degrémont clients, and given the impossibility of finding alternate financing, the Group booked an expense of €20 million. This expense corresponds tothe loss to which the Group is exposed and to the neutralization of the 2008 income.

For the Waste Europe sector, asset impairment is related to the slowdown of activity the Group has experienced during the year.

In 2008, impairment on property, plant and equipment and on intangible assets derived primarily from the Waste Europe sector (SE Deutschland and Sita Wallonie).

5.2.3 Impairment on financial assets

In 2009, impairment on financial assets primarily corresponded to the assets of companies of the Waste Europe sector active in the recycling business lines.

5.3 RESTRUCTURING

In 2009, this amount corresponded, on the one hand, to adjustment costs related to the slowdown of activity, largely in the waste sector, and on the other hand, to expenses related to the moving of Sita France, OIS, Degrémont, Lyonnaise des Eaux and SUEZ ENVIRONNEMENT to a single location at La Défense, Paris. These costs represented the impact of temporary double leases as well as the expense of renovating the premises.

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, 2009**	**Dec. 31, 2008**
Disposals of property, plant and equipment and intangible assets	(9.4)	3.2
Disposals of financial assets	93.6	43.7
Total	**84.2**	**46.9**

2009 transactions:

The main transactions during the year were, on the one hand, the disposal by SUEZ ENVIRONNEMENT Holding BE, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, of its 2.55% stake in Gas Natural; and on the other hand, the disposal by Sita UK, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, of its 50% stake in LondonWaste to the other shareholder : The North LondonWaste Authority. LondonWaste operates an incinerator in North London.

2008 transactions:

Gains from the disposal of assets is primarily due to the sale by Agbar of its SUEZ SA shares in the 1st half of 2008.

NOTE 6 – FINANCIAL INCOME/(LOSS)

In millions of euros	December 31, 2009			December 31, 2009		
	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	(327.6)	41.7	(285.9)	(373.0)	42.9	(330.1)
Interest expense on gross borrowings	(323.5)	-	(323.5)	(352.9)	-	(352.9)
Exchange gain/(loss) on borrowings and hedges	(4.1)	-	(4.1)	(5.1)	-	(5.1)
Income/(expense) from hedges on borrowings	-	12.4	12.4	(15.0)	-	(15.0)
Income/(expense) on cash and cash equivalents and on financial assets at fair value through income	-	29.3	29.3	-	42.9	42.9
Other financial income and expenses	(31.2)	57.1	25.9	(47.8)	48.1	0.3
Financial income/(loss)	**(358.8)**	**98.8**	**(260.0)**	**(420.8)**	**91.0**	**(329.8)**

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	Expenses	Income	Total Dec. 31, 2009	Dec. 31, 2008
Interest expense on gross borrowings	(323.5)	-	**(323.5)**	(352.9)
Exchange gain/(loss) on borrowings and hedges	(4.1)	-	**(4.1)**	(5.1)
Income/(expense) from hedges on borrowings	-	12.4	**12.4**	(15.0)
Income/(expense) on cash and cash equivalents and on financial assets at fair value through income	-	29.3	**29.3**	42.9
Cost of net debt	**(327.6)**	**41.7**	**(285.9)**	**(330.1)**

In 2009, the general decline in interest rates on borrowings resulted in a decrease in interest expense on gross debt, even though the Group engaged in several bond issuances during the period. Interest received on cash investments declined by 13.6 million, due primarily to the 2009 decline in interest rates on investments.

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

6.2 OTHER FINANCIAL INCOME AND EXPENSES

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Other financial expenses		
Reversal of discounting adjustment to provisions	**(25.1)**	(42.9)
Interest expense on trade and other payables	**(7.0)**	(8.2)
Losses on currency exchange	**0.2**	3.3
Other financial expenses	**0.7**	0.0
Total	**(31.2)**	**(47.8)**
Other financial income		
Income from available-for-sale securities	**39.8**	33.0
Interest income on trade and other receivables	**8.4**	13.0
Interest income on loans and receivables carried at amortized cost	**6.1**	5.2
Gains on currency exchange	**0.0**	0.0
Other financial income	**2.8**	(3.1)
Total	**57.1**	**48.1**
Total other financial income and expenses	**25.9**	**0.3**

The decline in expenses from the reversal of discounting adjustments to provisions compared to 2008 was primarily due to changes in macroeconomic assumptions (inflation rate and discount rate) entering into the calculation of provisions for site restoration.

NOTE 7 – INCOME TAX EXPENSE

Following the contribution SUEZ made in 2008 to SUEZ ENVIRONNEMENT COMPANY, the latter resolved to form a tax consolidation group comprising all the companies in the environment business sector that had previously been members of the tax group that included SUEZ, retroactive to January 1, 2008.

Approval was granted in 2008 by the French Finance authorities, to transfer to SUEZ ENVIRONNEMENT COMPANY a maximum tax loss of €464 millon to which the subsidiaries joining the SUEZ ENVIRONNEMENT COMPANY tax consolidation group contributed.

However, any tax assessment or proposed assessment, present or future, might partially affect the initial value of the loss transferred to SUEZ ENVIRONNEMENT COMPANY when both applied to companies that were members of the former SUEZ Group, and during the fiscal years for which these companies were effectively members of that former Group.

At December 31, 2008, this amount was adjusted to take into account the reassessment and proposed reassessments applying to the period of inclusion in the SUEZ tax consolidation Group. The revised amount totaled €432 million, which resulted in the recognition of a deferred tax asset of €148.8 million through income, given the prospects of allocating these tax savings on future tax income to the future tax group.

At December 31, 2009, the updating of tax losses to take the reassessments into account resulted in a deferred tax asset of €1.1 million, through income.

7.1 MAIN IMPACTS

7.1.1 Breakdown of income tax expense

The income tax expense for the fiscal year amounted to €128.8 millions (compared to €92.7 million in 2008), and breaks down as follows :

In millions of euros	2009	2008
Current income tax	(232.2)	(143.6)
Deferred taxes	103.4	50.9
Total income tax expense recognized in income	**(128.8)**	**(92.7)**

7.1.2 Change in deferred taxes

Movements in deferred taxes recorded in the consolidated statement of financial position, 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, 2008	**500.2**	**(332.7)**	**167.5**
Impact on income for the period	113.1	(9.7)	103.4
Impact of net breakdown by tax entity	(68.5)	68.5	-
Other	8.1	(13.1)	(5.0)
At December 31, 2009	**552.9**	**(287.0)**	**265.9**

7.2 RECONCILIATION BETWEEN THEORETICAL INCOME TAX EXPENSE AND ACTUAL INCOME TAX EXPENSE

The reconciliation between theoretical income tax expense and actual income tax expense is shown in the following table:

In millions of euros	2009		2008
Consolidated net income	**515.9**		**647.3**
- Share in net income of associates	37.6		34.0
- Income tax	(128.8)		(92.7)
Income before income tax and share in net income of associates (a)	**607.1**		**706.0**
Of which French companies	*(63.9)*		*146.0*
Of which companies outside France	*671.0*		*560.0*
Statutory income tax rate in France (b)	34.43%		34.43%
Theoretical income tax expense (c) = (a) x (b)	**(209.0)**		**(243.1)**
Actual income tax expense:			
Difference between the normal tax rate applicable in France and the normal tax rate applicable in jurisdictions outside France	45.6		43.2
Permanent differences	(5.2)		(18.5)
Income taxed at a reduced rate or tax-exempt	49.8	*(1)*	22.7
Additional tax expense	(75.8)	*(2)*	(49.0)
Effect of unrecognized deferred tax assets on tax-loss carry-forwards and on other tax-deductible temporary differences	(27.4)	*(3)*	(14.4)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	3.0		0.9
Impact of changes in tax rates	(2.0)		0.7
Tax credits	19.9	*(4)*	10.3
Other	72.3	*(5)*	154.5
Actual income tax expense	**(128.8)**		**(92.7)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates)	**21.2%**		**13.1%**

(1) Specifically includes capital gains from the disposal of securities tax-exempt in the United Kingdom and Belgium.

(2) Specifically includes the impact of a tax reassessment in Morocco, the posting of provisions for €39.5 million in tax risk, and the tax on the shares of expenses and charges on dividends.

(3) Corresponds to the Group's foreign subsidiaries.

(4) Specifically includes the impact of the deduction for risk capital in Belgium, the tax system applicable in the French Overseas *Départements*, and tax credits.

(5) Includes the recognition is €52.7 million in deferred taxes not recognized at December 31, 2008 by Group companies subject to French tax consolidation (see below), as well as a €3.6 million amount for the recognition of deferred asset taxes in Belgium pursuant to an order from the European Community Court of Justice dated February 12, 2009 (Cobelfret Order)

The low effective tax rate in 2008 was due to the recognition of €148.8 million in deferred tax assets on the transfer of tax losses carried forward from the former SUEZ tax consolidation group.

The effective tax rate in 2009 may largely be explained by the following:

- the effects of SUEZ ENVIRONNEMENT COMPANY's French tax consolidation group. The Group posted a deferred tax asset of €52.7 million as recognition of all temporary differences not yet recognized at December 31, 2008. Moreover, the deferred tax assets on tax losses carried forward continued to be recognized in the same way as on December 31, 2008. However, at December 31, 2009, all net deferred tax assets subject to French tax consolidation were recognized, given the medium-term prospects of tax benefits.

- the exemption of the capital gain on the disposal of LondonWaste by Sita in the United Kingdom (tax savings of €19.8 million in the consolidated financial statements).

Further, as shown in Note 4 – Current operating income, the Group has resolved to book, the French Territorial Economic Contribution in current operating income. This new tax, therefore, has no effect on the change in the effective income tax rate during the period.

7.3 DEFERRED TAXES BY TYPE

7.3.1 Analysis of the net deferred tax position recognized on the statement of financial position (before netting off deferred tax assets and liabilities by tax entity), by type of temporary difference

In millions of euros	Statement of financial position at Dec. 31, 2009	Statement of financial position at Dec. 31, 2008
Deferred tax assets:		
Net operating loss carry-forwards	208.6	186.1
Pension obligations	153.9	163.0
Concessions	104.5	97.9
Non-deductible provisions	127.9	93.8
Differences between the carrying amount of PPE and their tax bases*	9.0	10.2
Measurement of financial assets and liabilities at fair value (IAS 32/39)	21.5	(4.8)
Other	207.4	165.4
Total	**832.8**	**711.6**
Deferred tax liabilities		
Fair value adjustments to PPE and intangible assets	(88.3)	(93.9)
Other differences between the carrying amount of PPE and their tax bases*	(332.4)	(311.1)
Concessions	(24.1)	(23.4)
Tax-driven provisions	(17.3)	(17.3)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(4.4)	(4.6)
Other	(100.4)	(93.8)
Total	**(566.9)**	**(544.1)**
Net deferred tax assets	**265.9**	**167.5**

*PPE : Property, plant and equipment

7.3.2 Analysis by type of temporary difference in deferred tax income / expenses on the income statement

In millions of euros	Impacts in the income statement	
	Dec. 31, 2009	Dec. 31, 2008
Deferred tax assets:		
Net operating loss carry-forwards	56.4	103.6
Pension obligations	3.4	8.0
Concessions	5.4	(5.2)
Non-deductible provisions	34.5	(4.3)
Differences between the carrying amount of PPE and their tax bases	0.3	(1.1)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	3.5	(0.1)
Other	9.6	(32.1)
Total	**113.1**	**68.8**
Deferred tax liabilities		
Fair value adjustments to PPE and intangible assets	18.6	3.0
Other differences between the carrying amount of PPE and their tax bases	(17.1)	(28.1)
Concessions	0.3	0.2
Tax-driven provisions	(0.1)	(1.8)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(1.7)	(0.8)
Other	(9.7)	9.6
Total	**(9.7)**	**(17.9)**
Net deferred taxes	**103.4**	**50.9**

7.3.3 Analysis by type of deferred tax income / expense in other global income items

In millions of euros	December 31, 2009	Change	December 31, 2008
Available-for-sale securities	0.1	4.0	(3.9)
Actuarial gains and losses	26.0	-	26.0
Net investment hedges	(0.3)	24.5	(24.8)
Cash-flow hedges	20.3	0.6	19.7
TOTAL	**46.1**	**29.1 (a)**	**17.0**

(a) €29.1 million, of which €25.3 million on companies subject to full or proportionate consolidation and €3.8 million on companies consolidated by the equity method .

7.4. UNRECOGNIZED DEFERRED TAX

7.4.1. Deductible temporary differences not recognized

Temporary differences on losses carried forward:

At December 31, 2009, 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 €417.5 million for ordinary tax loss carry-forwards (unrecognized deferred tax asset impact of €136.2 million), compared to €332.0 million at December 31, 2008. The Group companies under the SUEZ ENVIRONNEMENT COMPANY French tax consolidation recognize all deferred taxes on losses carried forward.

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

In millions of euros	**Ordinary tax-loss carry-forwards**
2010	32.9
2011	10.2
2012	2.5
2013	43.4
2014	17.5
2015 and beyond	311.0
Total	**417.5**

Other temporary differences not recognized:

The amount of deferred tax assets on other unrecognized temporary differences amounted to €41.5 millions at December 31, 2009, compared to €116.6 millions at December 31, 2008.

7.4.2 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 exemption of capital gains on sales of securities in Belgium and 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, 2009	Dec. 31, 2008
Numerator		
Net income Group share (in millions of euros)	**403.0**	**533.2**
Denominator		
Average number of shares outstanding (in millions)	**488.7**	**489.4**
Income per share (in euros)		
Net income Group share, per share	**0.82**	**1.09**

The company has not issued any financial instrument likely to result in the dilution in net income, Group share, e.g., convertible bonds, etc.

The various share-based plans implemented in fiscal year 2009 and reserved for Group employees are based on existing shares (share-based payments are described in Note 23 of this chapter).

NOTE 9 - GOODWILL

9.1 MOVEMENTS IN THE CARRYING AMOUNT OF GOODWILL

In millions of euros	
A. Gross amount	
at December 31, 2007	**2875.5**
Acquisitions	327.2
Disposals	0.0
Translation adjustments	(130.4)
Other	(12.2)
at December 31, 2008	**3060.1**
Acquisitions	188.7
Disposals	(24.3)
Translation adjustments	29.9
Other	7.2
at December 31, 2009	**3261.6**
B. Impairment	
at December 31, 2007	**(155.3)**
Acquisitions	(22.6)
Impairment losses	(4.6)
Disposals	0.0
Translation adjustments	19.9
Other	0.0
at December 31, 2008	**(162.6)**
Acquisitions	0.0
Impairment losses	(10.5)
Disposals	1.0
Translation adjustments	(20.0)
Other	0.0
at December 31, 2009	**(192.1)**
C. Carrying amount = A + B	
at December 31, 2008	**2897.5**
at December 31, 2009	**3069.5**

In 2009, the €188.7 million increase in the gross value of goodwill was due to new acquisitions realized during the year as well as the completion of the process of recognizing individual assets and liabilities at fair value on acquisitions realized in 2008.

Regarding acquisitions made during this fiscal year, new goodwill was posted, specifically €168.6 million on Swire Sita related to the acquisition of the 50% not yet held by the Group. The process of allocation of the purchase price to individual assets and liabilities at fair value on this entity's statement of financial position will be completed in 2010. The final amount of goodwill may therefore change.

Regarding acquisitions made in 2008, the change in goodwill related to completion of the purchase price allocation process concerns the following companies:

- SUEZ ENVIRONNEMENT North America for -€16.3 million on the acquisition of Utility Services Company (USC).

- Sita France for the following acquisitions: Val Horizon for +€12.7 million, and Boone Comenor Metalimpex for -€11.7 million.

Moreover, €24 million of the total €24.3 million deline in goodwill was due to the sale of LondonWaste at Sita UK.

Translation gains and losses are primarily due to fluctuations in the pound sterling exchange rate.

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).

9.2 IMPAIRMENT TEST

All goodwill cash-generating units (CGUs) are tested for impairment. Impairment tests were carried out by reference to the database as at the end of June and to a review of events occurring in the second half of the year.

The recoverable value of CGUs is calculated by applying various methods, including discounted cash flow. The method of discounting cash flow is based on the following:

- cash flow projections prepared over the duration of the medium-term plan (MTP) approved by the Group Management Committee. These are linked to operating conditions estimated by the Management Committee, specifically the duration of contracts carried by entities of the CGU in question, changes in rate regulation, and future market prospects,

- a terminal value for the period after the MTP, calculated by applying the long-term growth rate to the standard EBITDA in the final year of the projections,

- a discount rate corresponding to the CGU as a function of business-unit, country and currency risks related to each CGU. The after-tax discount rates applied in 2009 range from 5.2% to 8.5%. In 2008, discount rates applied ranged from 5.0% to 8.6%.

When this method is used, the measurement of the recoverable value of CGU goodwill is based on three scenarios (low, medium and high), distinguished by changes in key assumptions. The medium scenario is preferred.

Valuations thus obtained are systematically broken down by a comparison with the market multiples method or the stock exchange capitalization method, when applicable.

Based on events reasonably foreseeable at this time, the Group believes there is no reason to find impairment on the goodwill posted to the statement of financial position, and that any changes affecting the key assumptions described below should not result in excess book value over recoverable amounts.

Main assumptions used for material goodwill
With the exception of the United Water, Sita UK, Agbar and Sita France CGUs, the individual various goodwill amounts do not represent more than 10% of the Group's total goodwill amount.

The following table describes the method and discount rate used in examining the recoverable amount of the main Cash Generating Units:

Cash-generating units	Valuation methods	Discount rate
United Water	multiples + DCF	5.23%
Sita UK	multiples + DCF	6.02%
Agbar	multiples + DCF + valuation applied for the delisting tender offer*	6.50%
Sita France	multiples + DCF	5.80%

(* see note 2 of this chapter)

A change of 50 basis points upwards or downwards in the discount rate does not affect the recoverable amounts of the various CGUs, which remain higher than their book values.

Cash-generating units	Impact as a % on excess recoverable value versus book value	
	+ 50 bp	+ 50 bp
United Water	119%	-76%
Sita UK	78%	-61%
Agbar	64%	-51%
Sita France	33%	-26%

Main other CGUs

For Sita Nederland BV and SE Deutschland Gmbh, the discount rates applied in the discounted cash flow method are 6.08% and 5.95%, respectively.

9.3 GOODWILL SEGMENT INFORMATION

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

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Water Europe	725.1	726.8
Waste Europe	1,468.1	1,440.7
International	876.3	730.0
Other	0.0	0.0
Total	**3,069.5**	**2,897.5**

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, 2009, goodwill amounted to €3,069.5 million; this corresponded mainly to the following cash-generating units (CGUs): Agbar (€631 million), Sita France (€515 million), United Water (€368 million), SITA UK (€354 million), SITA Nederland BV (€227 million), Swire Sita (€209 million), SE Deutschland (€189 million), and Utility Service Company (€93 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, 2007*	**322.0**	**2,582.0**		**588.5**		**3,492.5**
Acquisitions	28.0	148.6		10.4		**187.0**
Disposals	(10.0)	(13.8)		(8.8)		**(32.6)**
Translation adjustments	(0.5)	20.6		(4.3)		**15.8**
Changes in scope of consolidation **	1.6	59.2	(a)	80.0	(b)	**140.8**
Other	4.3	(0.2)		7.6		**11.7**
at December 31, 2008	**345.4**	**2,796.4**		**673.4**		**3,815.2**
Acquisitions	21.0	243.4		21.4		**285.8**
Disposals	(17.5)	(28.3)		(6.0)		**(51.8)**
Translation adjustments	0.7	(0.6)		(0.6)		**(0.5)**
Changes in scope of consolidation	6.6	72.8	(c)	77.2	(d)	**156.6**
Other	(0.5)	100.8		45.4	(e)	**145.7**
at December 31, 2009	**355.7**	**3,184.5**		**810.8**		**4,351.0**
B. Accumulated amortization and impairment						
at December 31, 2007	**(258.0)**	**(1,292.7)**		**(228.9)**		**(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)**	**(1,439.9)**		**(237.4)**		**(1,948.0)**
Amortization	(20.0)	(113.8)		(43.8)		**(177.6)**
Impairment losses	0.0	(0.4)		(0.5)		**(0.9)**
Disposals	17.4	27.3		3.6		**48.3**
Translation adjustments	(0.5)	4.9		0.1		**4.5**
Changes in scope of consolidation	(4.0)	(19.8)		(28.2)		**(52.0)**
Other	3.1	(0.4)		7.8		**10.5**
at December 31, 2009	**(274.7)**	**(1,542.0)**		**(298.5)**		**(2,115.2)**
C. Carrying amount						
at December 31, 2007	64.0	1,289.4		359.5		**1,712.9**
at December 31, 2008	74.7	1,356.6		435.9		1,867.2
at December 31, 2009	**81.0**	**1,642.5**		**512.3**		**2,235.8**

* Intangible rights linked to Chilean water contracts at Agbar were reclassified from *Intangible rights on concession contracts* to *Other* on December 31, 2007.

** This reclassification was also applied to USC in 2008.

(a) The recognition at fair value of the existing contract portfolio at the date Sadet was acquired resulted in an increase of €55 million in "Intangible Rights Arising on Concession Contracts" in the consolidated statement of financial position.

(b) The change in the scope of consolidation for the "Other" intangible assets category is mainly related to the entry of USC into the scope of consolidation within the context of the application of the accounting treatment of Business Combinations. It also includes the entry of BellandVision into the scope of consolidation, resulting in an increase of €28.0 million.

(c) Entry into the scope of consolidation of intangible assets linked to the concessions operated by Nuove Acque, totaling €47 million.

(d) Impact related to the entry into the scope of consolidation of the depreciable intangible assets of Nuove Acque totaling €53 million, as well as the impact of the move of Swire Sita from proportionate consolidation to full consolidation.

(e) The recognition at fair value of the existing contract portfolio of Boone Comenor within the context of the accounting treatment of Business Combinations (allocation of the purchase price).

(f) Impairment totaled €0.9 million in 2009, compared to €0.2 million in 2008.

10.1.1 Intangible rights arising on concession contracts

The Group manages a large number of concession contracts as defined by SIC 29 (see Note 21) in the drinking water distribution, wastewater treatment, and waste segments. Infrastructure rights granted to the Group as concession operator, falling within the scope of application of IFRIC 12, and corresponding to the intangible model, are recognized under intangible assets.

10.1.2 Non-amortizable intangible assets

Non-amortizable intangible assets amounted to €65 million at December 31, 2009 versus €50.6 million at December 31, 2008 and are presented within the "Other" category.

No impairment was posted in this category of assets.

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.

As in 2008, research and development expenses were posted to expenses, in the amount of €65 million.

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 millions of euros	Land	Buildings	Plant and equipment	Vehicles	Capitalized rehabilitation costs	Construc-tion in progress	Other	Total property, plant and equipment
A. Gross amount								
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, 2008	**1,258.1**	**2,057.8**	**6,293.6**	**1,322.0**	**485.5**	**586.6**	**513.9**	**12,517.5**
Acquisitions	95.0	40.6	194.1	71.6	0.0	351.8	24.1	**777.2**
Disposals	(49.8)	(39.8)	(141.5)	(91.2)	(1.5)	0.0	(26.2)	**(350.0)**
Translation adjustments	56.6	12.4	57.2	24.0	12.4	2.5	(0.4)	**164.7**
Changes in scope of consolidation	(2.7)	208.2	16.6	10.8	0.0	(1.6)	0.1	**231.4**
Other	17.6	(17.5)	222.2	35.5	(7.4)	(337.0)	(57.2)	**(143.8)**
at December 31, 2009	**1,374.8**	**2,261.7**	**6,642.2**	**1,372.7**	**489.0**	**602.3**	**454.3**	**13,197.0**
B. Accumulated amortization and impairment								
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)**
Amortization	(69.7)	(88.0)	(356.2)	(118.3)	(0.2)	0.0	(28.1)	**(660.5)**
Impairment losses	(12.4)	(11.0)	(15.0)	0.0	0.0	(0.9)	(1.4)	**(40.7)**
Disposals	46.9	45.6	134.2	85.4	1.5	2.4	25.2	**341.2**
Translation adjustments	(34.7)	(6.2)	(31.9)	(14.2)	(12.4)	0.0	(0.3)	**(99.7)**
Changes in scope of consolidation	2.9	10.2	42.1	(7.8)	0.0	0.0	(0.1)	**47.3**
Other	(15.1)	10.7	(5.4)	4.6	4.8	0.0	15.4	**15.0**
at December 31, 2009	**(649.3)**	**(954.1)**	**(3,407.4)**	**(898.2)**	**(484.8)**	**(2.3)**	**(313.0)**	**(6,709.1)**
C. Carrying amount								
at December 31, 2008	690.9	1,142.4	3,118.4	474.1	7.0	582.8	190.2	6,205.8
at December 31, 2009	**725.5**	**1,307.6**	**3,234.8**	**474.5**	**4.2**	**600.0**	**141.3**	**6,487.9**

In 2009, net changes in the scope of consolidation had an impact on property, plant and equipment totaling €278.7 million. They resulted from the entry into the scope of consolidation of EVI at Sita Nederland (€187.3 million), the disposal of London Waste by Sita UK (-€57.3 million) and various entries into the scope of consolidation at Agbar (€89.8 million).

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.

11.2 PLEDGED AND MORTGAGED ASSETS

Property, plant and equipment given in guarantee to pledge financial debts totaled €135.4 million at December 31, 2009, versus €148.3 million at December 31, 2008.

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 €222.4 million at December 31, 2009 versus €240.4 million at December 31, 2008.

Moreover, an operating lease contract for Agbar's head office 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 had a value of €169.3 million at December 31, 2009. 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 – INTERESTS IN JOINT VENTURES

The summary financial statements of the principal associates are presented below:

In millions of euros	Percent consolidated	Current assets	Non-current assets	Current liabilities	Non-current liabilities
at December 31, 2009					
Hisusa Group (a) (b)	51.0	951.2	2,873.9	942.3	1,026.3
Total		**951.2**	**2,873.9**	**942.3**	**1,026.3**
at December 31, 2008					
Hisusa Group (a)	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**

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

(b) Changes in current assets are mainly the result of the distribution by Agbar of a special dividend, following Agbar's disposal in 2007 of Applus, a Group specializing in inspection and certification activities.

NOTE 13 – FINANCIAL INSTRUMENTS

13.1 FINANCIAL ASSETS

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

In millions of euros	December 31, 2009			December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	**447.8**	**-**	**447.8**	**729.2**	**-**	**729.2**
Loans and receivables carried at amortized cost	**521.6**	**4,729.5**	**5,251.1**	**577.4**	**4,612.8**	**5,190.2**
Loans and receivables carried at amortized cost (excluding trade and other receivables)	400.3	204.6	604.9	457.4	151.8	609.2
Trade and other receivables	-	3,701.4	3,701.4	-	3,588.4	3,588.4
Other assets	121.3	823.5	944.8	120.0	872.6	992.6
Financial assets at fair value through income	**44.8**	**1,152.8**	**1,197.6**	**89.6**	**51.3**	**140.9**
Derivative financial instruments (Incl. Commodity derivatives)	44.8	11.7	56.5	89.6	0.3	89.9
Financial assets at fair value through income excluding derivatives	-	1,141.1	1,141.1	-	51.0	51.0
Cash and cash equivalents	**-**	**2,711.7**	**2,711.7**	**-**	**1,668.5**	**1,668.5**
Total	**1,014.2**	**8,594.0**	**9,608.2**	**1,396.2**	**6,332.6**	**7,728.8**

13.1.1 Available-for-sale securities

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)
Changes in scope of consolidation, exchange rates and other	10.3	
At December 31, 2008	**729.20**	
Acquisitions	124.4	(c)
Net book value of disposals	(307.3)	(d)
Impairment	(0.1)	
Changes in fair value recorded in shareholders' equity	(45.3)	(e)
Changes in scope of consolidation, exchange rates and other	(53.1)	(f)
At December 31, 2009	**447.8**	

(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

(c) Essentially subscription to the Gas Natural capital increase

(d) Disposal of all shares held in Gas Natural

(e) Basically corresponds to the change in fair value of the Acea and Acque Toscane shares, as well as the impact of the sale of Gas Natural shares.

(f) Corresponds primarily to the entry into the scope of consolidation of Nuove Acque and Acque Toscane (Italy).

Available-for-sale securities held by the Group totaled €447.8 million at December 31, 2009, consisting of €92.9 million in listed securities and €354.9 million in unlisted securities.

Acquisitions during the period primarily corresponded to the subscription to the Gas Natural capital increase totaling €89.0 million, at a price of €7.82 per share.

Disposals during the period corresponded primarily to the sale of Gas Natural shares in the last quarter of 2009, totaling €324.9 million, generating a capital gain of €24.8 million.

The Group examines the value of the various available-for-sale securities on a case-by-case basis and taking the market context into consideration, to determine whether it is necessary to recognize depreciations.
For listed securities, the Group believes that a decline in the trading price of over 50% from historic cost, or a decline in the trading price below historic cost for over 12 months, are objective indications of depreciation.

For listed securities, a decline of 10% in the stock market price would generate a €9.3 million decline in equity.

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples). A decline of 10% in the total value of Aguas de Valencia share would result in a -€13.5 million decline in equity.

Gains and losses posted to equity and income from available-for-sale securities are as follows:

In millions of euros	**Dividends**	**Remeasurement**			**Gain/(loss) on disposals**
		Change in fair value	**Impact of exchange rates**	**Impairment**	
Shareholders' equity		(45.3)	(0.0)		
Income	33.9	-		(0.1)	34.2
Total at December 31, 2009	33.9	(45.3)	(0.0)	(0.1)	34.2
Shareholders' equity		(341.1)	(0.0)		
Income	33.0			(2.2)	54.8
Total at December 31, 2008	33.0	(341.1)	(0.0)	(2.2)	54.8

13.1.2 Loans and receivables carried at amortized cost

	Dec. 31, 2009			Dec. 31, 2008		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**400.3**	**204.6**	**604.9**	**457.4**	**151.8**	**609.2**
Loans granted to affiliated companies	198.1	85.6	283.7	144.4	129.8	274.2
Concession receivables	191.6	115.8	307.4	298.4	19.5	317.9
Finance lease receivables	10.6	3.2	13.8	14.6	2.5	17.1
Trade and other receivables		**3 701.4**	**3 701.4**		**3 588.4**	**3 588.4**
Other assets	**121.3**	**823.5**	**944.8**	**120.0**	**872.6**	**992.6**
Rights to repayment	0.6	0.0	0.6	0.6	0.0	0.6
Tax receivables		363.0	363.0		439.0	439.0
Other receivables	120.7	460.5	581.2	119.4	433.6	553.0
Total	**521.6**	**4 729.5**	**5 251.1**	**577.4**	**4 612.8**	**5 190.2**

Depreciation and impairment on loans and receivables carried at amortized cost are shown below:

	Dec. 31, 2009			Dec. 31, 2008		
In millions of euros	Gross	Depreciation and impairment	Net	Gross	Depreciation and Impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	819.5	(214.6)	**604.9**	776.0	(166.8)	**609.2**
Trade and other receivables	3 902.7	(201.3)	**3 701.4**	3 772.7	(184.3)	**3 588.4**
Other assets	982.0	(37.2)	**944.8**	1 028.5	(35.8)	**992.6**
Total	**5 704.2**	**(453.1)**	**5 251.1**	**5 577.2**	**(386.9)**	**5 190.2**

Net income and expenses on loans and receivables carried at amortized cost recognized in the income statement break down as follows (including trade receivables and other assets) :

	Interest	Post-acquisition valuation	
In millions of euros		Exchange-rate effect	Impairment
at December 31, 2009	39.5	0.2	(48.5)
at December 31, 2008	53.7	3.3	(29.0)

Loans granted to affiliated companies

"Loans granted to affiliated companies" primarily includes loans to associates accounted for by the equity method and to non-consolidated companies, and amounted to €184.7 million at December 31, 2009, versus €193.4 million at December 31, 2008.

The fair value of loans granted to affiliated companies amounted to €301.0 million at December 31, 2009, versus €297.3 million in 2008. The net carrying amount of these loans was €283.7 million at December 31, 2009 versus €274.2 million in 2008.

Trade and other receivables

On initial recognition, trade 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. This item includes amounts due from customers under construction contracts.

The carrying amount value posted to the statement of financial position represents a good measurement of fair value.

13.1.3 Financial assets measured at fair value through income

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

	Dec. 31, 2009			Dec. 31, 2008		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivative financial instruments	**44.8**	**11.7**	**56.5**	**89.6**	**0.3**	**89.9**
Derivatives hedging borrowings	31.0	0.0	31.0	73.7	0.0	73.7
Derivatives hedging commodities	0.0	4.1	4.1	0.0	0.0	0.0
Derivatives hedging other items	13.8	7.6	21.4	15.9	0.3	16.2
Financial assets at fair value through income excluding derivatives	**0.0**	**1 141.1**	**1 141.1**	**0.0**	**51.0**	**51.0**
Financial assets qualified for fair value through income		1 141.1	1 141.1		51.0	51.0
Financial assets designated at fair value through income		0.0	0.0		0.0	0.0
Total	**44.8**	**1 152.8**	**1 197.6**	**89.6**	**51.3**	**140.9**

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 14.

Financial assets valued 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 13.3).

In the context of its liquidity-strengthening policy, the Group issued €3 billion in bonds in 2009 (see Section 13.3.2). A portion of the funds thus collected was invested in money market UCITS, and another portion in short-term deposits with first-tier banks. These assets are intended to be used to cover the Group’s refinancing needs in coming years.

Income recognized on all financial assets measured at fair value through income at December 31, 2009 was €6.8 million.

13.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in Note 14.

"Cash and cash equivalents" amounted to €2,711.7 million at December 31, 2009 versus €1,668.5 million at December 31, 2008.

This item includes restricted cash amounting to €41.7 million at December 31, 2009 versus €181.1 million at December 31, 2008.

Income recognized in respect of "cash and cash equivalents" at December 31, 2009 amounted to €22.4 million versus €41.6 million at December 31, 2008.

13.1.5 Pledged and mortgaged assets

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Pledged and mortgaged financial assets	12.1	11.5

13.2 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, 2009:

	Dec. 31, 2009			Dec. 31, 2008		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Borrowings	6 400.0	3 680.2	**10 080.2**	5 100.5	2 620.8	7 721.3
Derivative financial instruments	62.5	57.1	**119.6**	22.5	83.3	105.8
Trade and other payables	-	3 741.4	**3 741.4**	-	3 863.7	3 863.7
Other financial liabilities	0.0	-	**0.0**	18.9	-	18.9
TOTAL	**6 462.5**	**7 478.7**	**13 941.2**	**5 141.9**	**6 567.8**	**11 709.7**

13.2.1 Borrowings and debt

	Dec. 31, 2009			Dec. 31, 2008		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Bond issues	3 763.0	31.0	3 794.0	681.0	263.4	944.4
Draw-downs on credit facilities	121.0	633.0	754.0	416.7	87.4	504.1
Borrowings under finance leases	409.2	55.3	464.5	434.0	58.3	492.3
Other bank borrowings	1 176.4	920.6	2 097.0	1 660.2	233.5	1 893.7
Other borrowings	953.7	979.7	1 933.4	1 921.0	134.1	2 055.1
Borrowings	**6 423.3**	**2 619.6**	**9 042.9**	**5 112.9**	**776.7**	**5 889.6**
Bank overdrafts and current cash accounts		936.6	936.6		1 823.2	1 823.2
Outstanding borrowings	**6 423.3**	**3 556.2**	**9 979.5**	**5 112.9**	**2 599.9**	**7 712.8**
Impact of measurement at amortized cost	(23.3)	121.7	98.4	(22.4)	21.2	(1.2)
Impact of fair-value hedge	0.0	2.3	2.3	10.0	(0.3)	9.7
Borrowings	**6 400.0**	**3 680.2**	**10 080.2**	**5 100.5**	**2 620.8**	**7 721.3**

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 13.3 "Net debt."

13.2.2 Derivative instruments (Inc. Commodity derivatives)

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

	Dec. 31, 2009			Dec. 31, 2008		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	49.5	35.6	**85.1**	11.9	31.2	43.1
Derivatives hedging commodities	0.0	16.7	**16.7**	-	51.4	51.4
Derivatives hedging other items	13.0	4.8	**17.8**	10.6	0.7	11.3
Total	**62.5**	**57.1**	**119.6**	**22.5**	**83.3**	**105.8**

These instruments are set up according to the Group's risk management policy and are analyzed in Note 14.

13.2.3 Trade and other payables

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Trade payables	2 018.5	2 080.8
Amounts payable under construction contracts	200.5	173.5
Advances and down-payments received	341.0	397.1
Payable on fixed assets	849.2	844.3
Concession liabilities	11.9	22.7
Capital renewal and replacement liabilities	320.3	345.3
Total	**3 741.4**	**3 863.7**

The carrying amount recorded in the statement of financial position represents a good measurement of fair value.

Capital renewal and replacement liabilities

This item includes the obligation of the concession operators to repair and restore facilities to their original condition. 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. Expenses are calculated contract by contract, by distributing the likely restoration and repair expenses over the duration of the contract.

13.2.4 Other financial liabilities

Other financial liabilities are analyzed as follows:

In millions of euros	Dec. 31, 2009	Dec. 31, 2008
Liabilities on share purchases	0.0	18.9
Other	0.0	0.0
Total	**0.0**	**18.9**

13.3 NET DEBT

In millions of euros	Dec. 31, 2009			Dec. 31, 2008		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Outstanding borrowings	6,423.3	3,556.2	9,979.5	5,112.9	2,599.9	7,712.8
Impact of measurement at amortized cost	(23.3)	121.7	98.4	(22.4)	21.2	(1.2)
Impact of fair value hedge (a)	0.0	2.3	2.3	10.0	(0.3)	9.7
Borrowings and debt	**6,400.0**	**3,680.2**	**10,080.2**	**5,100.5**	**2,620.8**	**7,721.3**
Derivative hedging borrowings under liabilities (b) see Note 13.2.2	49.5	35.6	85.1	11.9	31.2	43.1
Gross debt	**6,449.5**	**3,715.8**	**10,165.3**	**5,112.4**	**2,652.0**	**7,764.4**
Financial assets valued at fair value through income, see Note 13.1.3	0.0	(1,141.1)	(1,141.1)	0.0	(51.0)	(51.0)
Cash and cash equivalents	0.0	(2,711.7)	(2,711.7)	0.0	(1,668.5)	(1,668.5)
Derivative hedging borrowings under assets (b) see Note 13.1.3	(31.0)	0.0	(31.0)	(73.7)	0.0	(73.7)
Net cash	**(31.0)**	**(3,852.8)**	**(3,883.8)**	**(73.7)**	**(1,719.5)**	**(1,793.2)**
Net debt	**6,418.5**	**(137.0)**	**6,281.5**	**5,038.7**	**932.5**	**5,971.2**
Outstanding borrowings	6,423.3	3,556.2	9,979.5	5,112.9	2,599.9	7,712.8
Financial assets valued at fair value through income	0.0	(1,141.1)	(1,141.1)	0.0	(51.0)	(51.0)
Cash and cash equivalents	0.0	(2,711.7)	(2,711.7)	0.0	(1,668.5)	(1,668.5)
Net debt excluding amortized cost and impact of derivative financial instruments	**6,423.3**	**(296.6)**	**6,126.7**	**5,112.9**	**880.4**	**5,993.3**

(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.

13.3.1 Change in net debt

Net debt increased by €310.3 million during 2009, primarily for the following reasons:

- The dividend payment made to SUEZ ENVIRONNEMENT COMPANY shareholders resulted in a €317.6 million increase in net debt.
- Entities entering the scope of consolidation increased net debt by €182.1 million (primarily EVI).
- Moreover, the increase in net debt is also explained by the acquisitions made in 2009, in particular those involving Swire Sita (acquisition of 50% of the securities not yet held), Allren et Tianjin.
- Conversely, disposals of assets, particularly the Gas Natural shares held by SUEZ ENVIRONNEMENT Holding BE (see Note 2), resulted in a decline of €201.8 million in net debt.

13.3.2 Bond issuances

During 2009, SUEZ ENVIRONNEMENT COMPANY undertook a number of bond issuances as part of an EMTN program set up at the start of the year. The amount issued in 2009 totaled €3 billion, including:

- An issuance of €1.3 billion at 5 years, bearing a coupon of 4.875%, maturing April 8, 2014;
- An issuance of €800 million at 10 years, bearing a coupon of 6.25%, maturing April 8, 2019;
- An issuance of €250 million at 8 years, bearing a coupon of 5.20%, maturing June 8, 2017;
- An issuance of €500 million at 15 years, bearing a coupon of 5.50%, maturing July 22, 2024;
- An issuance of €150 million at 8 years, bearing a coupon of 4.50%, maturing October 12, 2017;

13.3.3 Debt/equity ratio

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Net debt	6,281.5	5,971.2
Total equity	4,418.1	4,170.0
Debt/equity ratio	142.2%	143.2%

NOTE 14 – MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

14.1 MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS EXCLUDING COMMODITIES

14.1.1 Fair value of financial instruments excluding commodities

14.1.1.1 Financial assets

Financial instruments excluding commodities posted to assets are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.2.1) :

In millions of euros	December 31, 2009			
	Total	**Level 1**	**Level 2**	**Level 3**
Available-for-sale securities	**447.8**	**92.9**		**354.9**
Loans and receivables carried at amortized cost	**604.9**		**604.9**	
Loans and receivables carried at amortized cost (excluding trade and other receivables)	604.9		604.9	
Derivative financial instruments	**56.5**		**56.5**	
Derivatives hedging borrowings	31.0		31.0	
Derivatives hedging commodities	4.1		4.1	
Derivatives hedging other items	21.4		21.4	
Financial assets at fair value through income	**1,141.1**		**1,141.1**	
Financial assets at fair value through income excluding derivatives	1,141.1		1,141.1	
Total	**2,250.3**	**92.9**	**1,802.5**	**354.9**

Available-for-sale securities :

Listed securities – valued at the stock market price on the closing date – are considered Level 1.

Unlisted securities – measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flow and net asset value, are considered Level 3.

Loans and receivables carried at amortized cost (excluding trade and other receivables) :

Loans and receivables carried at amortized cost (excluding trade and other receivables) contain elements that contribute to a fair value hedging relationship. These loans and receivables, for which fair value is determined based on observable interest and exchange rate data, are considered Level 2.

Derivative financial instruments:

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, rate options, and currency swaps. The fair value of virtually all these contracts is determined using internal valuation models based on observable data, and may be considered Level 2.

Financial assets measured at fair value through income:

Financial assets measured at fair value, calculated based on observable data, are considered Level 2.

14.1.1.2 Financial liabilities

Financial instruments excluding commodities posted to liabilities are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.2.1) :

In millions of euros	December 31, 2009			
	Total	**Level 1**	**Level 2**	**Level 3**
Borrowings	**10,080.2**		**10,080.2**	
Derivative financial instruments	**119.6**		**119.6**	
Derivatives hedging borrowings	85.1		85.1	
Derivatives hedging commodities	16.7		16.7	
Derivatives hedging other items	17.8		17.8	
Other financial liabilities	**-**		**-**	
Total	**10,199.8**	**-**	**10,199.8**	**-**

Borrowings :

Borrowings include bond issuances contributing to a fair value hedging relationship. These bond issuances, the fair value of which is calculated based on observable interest rate and exchange rate data, are considered Level 2.

Derivative financial instruments:

See 14.1.1.1

14.1.2 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.

Operating activities

Counterparty risk arising from trade and other receivables

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

In millions of euros	Non-impaired assets past due at the closing date				Impaired assets	Assets not impaired or past due	Total
Trade and other receivables	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
at December 31, 2009	149.7	22.2	44.1	216.0	201.2	3 485.5	**3 902.7**
at December 31, 2008	367.5	77.0	105.6	550.1	183.0	3 039.6	**3 772.7**

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 various types of customers. 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

The Group's maximum exposure to counterparty risk in its financial activities may be measured in terms of the book value of financial assets excluding available-for-sale securities and the fair value of derivatives posted to assets on the statement of financial position (i.e., €8,215.5 million at December 31, 2009, and €6,007.1 million at December 31, 2008).

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

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

In millions of euros	Non-impaired assets past due at the closing date				Impaired assets	Assets not impaired or past due	Total
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, 2009	8.6	0.1	0.1	8.8	214.6	597.4	**820.8**
at December 31, 2008	5.8	18.4	83.9	108.1	104.1	564.2	**776.4**

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment, change in fair value or amortized cost. The change in these items is presented in Note 13.1.2 "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.

The Group invests the majority of its cash surpluses and negotiates its financial hedging instruments with leading counterparties. As part of its counterparty risk management policy, 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, financial exposure and objective market factors (Credit Default Swaps, stock market capitalization, etc.) on the one hand, and the definition of risk limits on the other.

At December 31, 2009, total cash and cash equivalents exposed to counterparty risk was €3,883.8 million. Investment-grade counterparties (counterparties with minimum Standard & Poors' rating of BBB- or Moody's rating of Baa3) represented 88.7 % of cash and cash equivalents (risk-weighted for each investment, depending upon type, currency and maturity). The remainder of the Group's exposure was with unrated counterparties (11.1%) or counterparties rated non-investment grade (0.2%). Most of the two latter types of exposure consisted of consolidated companies with minority interests or Group companies operating in emerging countries where cash cannot be centralized and is therefore invested locally. Unrated counterparties also often correspond to local subsidiaries of rated groups.

Moreover, at December 31, 2009, no counterparty outside the GDF SUEZ Group represented more than 17.5% of cash and cash equivalents (estimated risk-weightings of each investment depending upon type, currency and maturity).

14.1.3 Liquidity risk

14.1.3.1 Available cash

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

- Framework Financing Agreement with GDF SUEZ implemented in June 2008.
- diversification of financing sources between the banking and capital markets.
- balanced repayment profile of financial debt.

At December 31, 2009, the Group had available cash of €3,883.8 million (including €1,141.1 million in UCITS held for trading purposes and €31.0 million in financial derivatives). Almost all surplus cash was invested in short-term banking deposits and regular cash UCITs.

In addition, at December 31, 2009, the Group specifically had €1,807.7 million in confirmed credit facilities, including €754.0 million already drawn; unused credit facilities therefore totaled €1,053.7 million, €285.8 million of which will be maturing in 2010.

Bank loans represented 30% of the Group's gross financial debt (excluding bank overdrafts, and the amortized cost and impact of derivatives). Financing on the markets (use of securitization for 3%; use of bond borrowings for 40%) represented 43 % of this total.

The Group predicts 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).

In addition, the Group does not rule out refinancing part of its debt in 2010 by tapping the short and/or long-term debt capital markets, or bank borrowings if market conditions are favorable. As in 2009, any market refinancings will be carried out by SUEZ ENVIRONNEMENT COMPANY. Finally, if necessary, specific financing may be put in place for specific projects.

14.1.3.2 Undiscounted contractual payments

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

at December 31, 2009 *In millions of euros*	**TOTAL**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Debt with GDF SUEZ	1 939.2	1 299.5	6.0	6.0	462.8	33.0	131.9
Bond or bank borrowings	8 040.3	2 256.7	183.4	688.8	223.8	1 508.2	3 179.4
Total	**9 979.5**	**3 556.2**	**189.4**	**694.8**	**686.6**	**1 541.2**	**3 311.3**

Moreover, at December 31, 2009, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

at December 31, 2009 *In millions of euros*	**TOTAL**	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 5 years**
Bond issues	3 794.0	31.0	1.3	34.6	1.4	1 338.2	2 387.5
Draw-downs on credit facilities	754.0	633.0	0.0	63.2	0.0	0.0	57.8
Borrowings under finance leases	464.5	55.3	45.0	46.3	45.3	42.0	230.6
Other bank borrowings	2 097.0	920.6	122.9	283.0	168.1	146.4	456.0
Other borrowings	1 933.4	979.7	20.2	267.7	471.8	14.6	179.4
Bank overdrafts and current cash accounts	936.6	936.6	0.0	0.0	0.0	0.0	0.0
Outstanding borrowings	**9 979.5**	**3 556.2**	**189.4**	**694.8**	**686.6**	**1 541.2**	**3 311.3**
Financial assets at fair value through income	(1 141.1)	(1 141.1)	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	(2 711.7)	(2 711.7)	0.0	0.0	0.0	0.0	0.0
Net debt excluding amortized cost and impact of derivative financial instruments	**6 126.7**	**(296.6)**	**189.4**	**694.8**	**686.6**	**1 541.2**	**3 311.3**

at December 31, 2008 *In millions of euros*	**TOTAL**	**2009**	**2010**	**2011**	**2012**	**2013**	**Beyond 5 years**
Outstanding borrowings	**7 712.8**	**2 599.9**	**2 218.7**	**136.9**	**464.1**	**738.5**	**1 554.7**
Financial assets at fair value through income and cash and cash equivalents	(1 719.5)	(1 719.5)	0.0	0.0	0.0	0.0	0.0
Net debt excluding amortized cost and impact of derivative financial instruments	**5 993.3**	**880.4**	**2 218.7**	**136.9**	**464.1**	**738.5**	**1 554.7**

At December 31, 2009, undiscounted contractual cash flows interest payments on outstanding debt broke down as follows by maturity:

at December 31, 2009 *In millions of euros*	TOTAL	2010	2011	2012	2013	2014	Beyond 5 years
Undiscounted contractual cash flows interest payments on outstanding borrowings	2 698.2	342.6	301.9	295.9	281.2	240.9	1 235.7

at December 31, 2008 *In millions of euros*	TOTAL	2009	2010	2011	2012	2013	Beyond 5 years
Undiscounted contractual cash flows interest payments on outstanding borrowings	1 504.1	241.0	189.7	142.6	130.9	181.1	618.8

At December 31, 2009, 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, 2009 *In millions of euros*	TOTAL	2010	2011	2012	2013	2014	Beyond 5 years
Derivatives (excluding commodities)	**6.1**	**(2.7)**	**(2.2)**	**3.0**	**2.9**	**1.9**	**3.2**

at December 31, 2008 *In millions 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)**

In order to best reflect the current economic circumstances of its operations, cash flows related to derivatives posted to liabilities and assets as shown above correspond to net positions. Moreover, the amounts presented above have a positive sign in the case of an asset, and a negative sign in the case of a liability.

Maturities of confirmed undrawn credit facilities are as follows:

Confirmed but undrawn credit facilities *In millions of euros*	TOTAL	2010	2011	2012	2013	2014	Beyond 5 years
at December 31, 2009	**1 053.7**	285.8	120.4	473.7	80.3	60.0	33.5

	TOTAL	2009	2010	2011	2012	2013	Beyond 5 years
at December 31, 2008	**954.9**	200.8	430.7	150.0	61.2	81.7	30.5

At December 31, 2009, no single counterparty accounted for more than 14% of the Group's confirmed undrawn credit lines.

14.1.4 MARKET RISKS

14.1.4.1 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in

exchange rates upon consolidation of the financial statements of its foreign subsidiaries outside the eurozone. Exposure to translation risk arises 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-eurozone 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 that allow it to artificially recreate foreign currency debt.

Exposure to currency risks is reviewed on a monthly basis. The asset cover ratio (corresponding to the ratio between the book value of an asset denominated in a foreign currency outside the eurozone, and the debt assumed for that asset) 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 the Treasury Committee.

Taking financial instruments into account, 57% of net debt was denominated in euros, 18% in US dollars and 7% in pounds sterling at the end of 2009, compared with 59% in euros, 18% in US dollars and 7% in pounds sterling at the end of 2008.

Analysis of financial instruments by currency

Gross debt

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
€ Zone	77%	69%	68%	61%
US $ Zone	10%	12%	14%	14%
£ Zone	3%	5%	4%	7%
Other currencies	10%	14%	14%	18%
Total	**100%**	**100%**	**100%**	**100%**

Net debt :

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
€ Zone	70%	57%	68%	59%
US $ Zone	16%	18%	17%	18%
£ Zone	3%	7%	4%	7%
Other currencies	11%	18%	11%	16%
Total	**100%**	**100%**	**100%**	**100%**

Foreign currency derivatives

Derivatives used to hedge currency risk are presented below.

Foreign currency derivatives *In millions of euros*	**December 31, 2009**		**December 31, 2008**	
	Total market value	**Total nominal value**	**Total market value**	**Total nominal value**
Fair value hedges	0.9	273.9	(2.7)	124.6
Cash-flow hedges	(0.3)	15.2	0.0	20.2
Net investment hedges	11.0	618.0	39.4	203.1
Derivative instruments not qualifying for hedge accounting	(8.5)	616.0	29.6	248.5
Total	**3.1**	**1 523.1**	**66.3**	**596.4**

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

The Group defines foreign currency derivatives hedging by firm foreign currency commitments as fair-value hedges.

Cash-flow hedges correspond mainly to hedges of future operating foreign-currency cash flows.

Net investment hedging instruments are mainly currency swaps.

Derivative instruments not qualified for hedging consist of structured instruments, which because of their type and because they do not meet the effectiveness criteria defined in IAS 39, cannot be qualified as hedges for accounting purposes. These contracts economically cover foreign currency commitments. Further, the effect of foreign currency derivatives is almost entirely offset by foreign exchange income on the hedged items.

14.1.4.2 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 (5 to 15 years) using a mixture of fixed and floating rates. The interest rate mix may change depending on market trends.

The Group also has access to hedging instruments (specifically swaps), to protect itself from increases in interest rates in the currencies in which it has assumed debt.

The Group's exposure to interest rate risk is managed centrally and reviewed regularly (generally on a monthly basis) during meetings of the Treasury Committee. 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.

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euros, US dollars and pounds sterling, which represented 82% of net debt at December 31, 2009.

The breakdown by type of gross debt, net debt and loans to affiliated companies, before and after impact of hedging instruments, is shown in the following tables:

Financial instruments by rate type

Gross debt:

	Before hedging	After hedging	Before hedging	After hedging
Floating rate	43%	52%	61%	57%
Fixed rate	57%	48%	39%	43%
Total	**100%**	**100%**	**100%**	**100%**

Net debt:

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	7%	22%	50%	45%
Fixed rate	93%	78%	50%	55%
Total	**100%**	**100%**	**100%**	**100%**

Loans granted to affiliated companies: (gross amounts)

	December 31, 2009		December 31, 2008	
	Before hedging	After hedging	Before hedging	After hedging
Floating rate	82%	82%	36%	36%
Fixed rate	18%	18%	64%	64%
Total	**100%**	**100%**	**100%**	**100%**

Interest rate derivatives

Derivatives used to hedge interest rate risk are presented below.

Interest rate derivatives	**December 31, 2009**		**December 31, 2008**	
In millions of euros	**Total market value**	**Total nominal value**	**Total market value**	**Total nominal value**
Fair-value hedges	15.1	2 539.9	20.3	769.2
Cash-flow hedges	(42.2)	1 019.3	(31.8)	893.8
Derivative instruments not qualifying for hedge accounting	(16.7)	318.9	(16.2)	207.5
Total	**(43.8)**	**3 878.1**	**(27.7)**	**1 870.5**

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.

Instruments not qualified for hedging consist of instruments which, because of their type and endorsement, and because they do not meet the effectiveness criteria defined in IAS 39, cannot be qualified as hedges for accounting purposes, even though they cover the borrowings economically.

14.1.4.3 Specific impact of currency and interest rate hedges

Fair-value hedges:

At December 31, 2009 the net impact of fair value hedges recognized in the income statement was +€7.3 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 millions of euros	**Market value of derivatives by maturity date**
Y+1	(24.0)
Y+2	(9.9)
Y+3	(4.9)
Y+4	(1.3)
Y+5	(1.1)
> 5 years	(1.3)
Total	**(42.5)**

At December 31, 2009, unrealized gains and losses directly recognized in equity Group share over the period amounted to a loss of -€19.9 million (includng the impacts on companies consolidated by the equity method).

The ineffective portion of cash-flow hedges recognized in income was +€0.4 million.

Net investment hedges :

The ineffective portion of net investment hedges recognized in income represented a gain of +€6.9 million.

14.1.4.4 Sensitivity analysis: foreign currency and interest rate instruments

The sensitivity analysis was based on the debt position as at the statement of financial position 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 +/-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 statement of financial position, and to the extent that these liabilities do not qualify as net

investment hedges. A uniform +/- 10% change in foreign currencies against the euro would yield a gain or loss of €1.2 million.

Impact on equity:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform 10% change in foreign currencies against the euro would impact equity by €95.1 million. This impact would be offset by any countereffect on the net investment in the hedged currency.

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

Impact on income:

A 1 point increase in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives, would have a negative impact of -€6.9 million on net interest expense.

Impact on equity :

A uniform increase of 1 point in short-term interest rates (for all currencies) would have a positive equity impact of €32.3 million due to the change in fair value of qualified cash-flow hedging derivatives.

14.1.4.5 Market risk on available-for-sale securities

At December 31, 2009, available-for-sale securities held by the Group amounted to €447.8 million (see Note 13.1.1).

A 10% fall in the value of the listed securities would have a negative impact of around €9.3 million on Group shareholders' equity. 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.

14.2 MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS LINKED TO COMMODITIES

14.2.1 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 Group’s aim is to protect itself against adverse changes in market prices which may specifically affect its supply costs.

14.2.2 Fair value of derivative instruments linked to commodities

The fair values of derivative instruments linked to commodities at December 31, 2009 and 2008 are presented in the table below:

In millions of euros	December 31, 2009				December 31, 2008			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash-flow hedges	4.1	-	16.7	-	-	-	51.4	-
TOTAL	**4.1**	**0.0**	**16.7**	**0.0**	**0.0**	**0.0**	**51.4**	**0.0**

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

In millions of euros	December 31, 2009				December 31, 2008			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
ELECTRICITY	4.1	-	-	-	-	-	-	-
Swaps	4.1	-	-	-	-	-	-	-
Options	-	-	-	-	-	-	-	-
Forwards/futures	-	-	-	-	-	-	-	-
OIL	-	-	16.7	-	-	-	51.4	-
Swaps	-	-	16.7	-	-	-	51.4	-
Options	-	-	-	-	-	-	-	-
Forwards/futures	-	-	-	-	-	-	-	-
TOTAL	**4.1**	**0.0**	**16.7**	**0.0**	**0.0**	**0.0**	**51.4**	**0.0**

NOTE 15 - EQUITY

15.1 SHARE CAPITAL

	Number of shares			Value (in millions of euros)		
	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
At December 31, 2007	489,699,060	0	489,699,060	1,958.6	4,198.8	0.0
Share issued				0.2		
Purchase and disposals of treasury shares		1,350,000	-1,350,000			17.1
At December 31, 2008	**489,699,060**	**1,350,000**	**488,349,060**	**1,958.8**	**4,198.8**	**17.1**
Issuance						
Allocation to legal reserve					-195.9	
Purchase and disposals of treasury shares		-1,049,000	1,049,000			-12.4
At December 31, 2009	**489,699,060**	**301,000**	**489,398,060**	**1,958.8**	**4,002.9**	**4.7**

At the date of listing, on July 22, 2008, 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).

15.2 TREASURY SHARES AND SHARE REPURCHASE PROGRAM

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

There were 301,000 treasury shares (including 201,000 held under the liquidity contract and 100,000 under the bonus share allocation plan) at December 31, 2009 with a value of €4.7 million, compared to 1,350,000 shares at December 31, 2008 with a value of €17.1 million.

15.3 OTHER INFORMATION ON PREMIUMS AND CONSOLIDATED RESERVES

Consolidated premiums and reserves (including income for the year) (€2,010 million at December 31, 2009) incorporate the legal reserve of SUEZ ENVIRONNEMENT COMPANY. Under French law, 5% of the net income of French companies must be allocated to legal reserves until they total 10% of share capital. By Board of Directors resolution of March 2009, the legal reserve was fully established by drawing €195.9 million from the issuance premium This reserve may be distributed to shareholders only in the event of the liquidation of the company.

15.4 DIVIDEND DISTRIBUTION

A resolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2009, to pay a dividend of €1.30 per share, totaling €636.6 millio. An interim payment of €0.65 per share had already been made on June 2, 2009.

Subject to approval by the Shareholders' Meeting, this dividend, net of the interim already paid, will be paid out during the first half of 2010. This dividend is not recognized under liabilities in the financial statements at December 31, 2009 ; these financial statements being presented before dividend allocation.

15.5 TOTAL GAINS AND LOSSES RECOGNIZED IN EQUITY (GROUP SHARE)

In millions of euros	Dec. 31, 2007	Change	Dec. 31, 2008	Change	Dec. 31, 2009
Available-for-sale securities	367.4	(320.7)	46.7	(44.4)	2.3
Net investment hedges	12.5	22.3	34.8	5.7	40.5
Cash-flow hedges	7.7	(35.3)	(27.6)	(7.1)	(34.7)
Commodity cash-flow hedges	3.0	(54.6)	(51.6)	35.4	(16.2)
Actuarial gains and losses	25.5	(115.7)	(90.2)	(1.9)	(92.1)
Deferred taxes	(97.0)	113.3	16.3	25.7	42.0
Share of associates, net of tax	0.1	(0.1)	0.0	(9.4)	(9.4)
Translation adjustments on above items	93.2	72.5	165.7	(17.9)	147.8
Sub-total	**412.4**	**(318.3)**	**94.1**	**(13.9)**	**80.2**
Translation adjustments on other items	(186.9)	(111.8)	(298.7)	5.9	(292.8)
Total	**225.5**	**(430.1)**	**(204.6)**	**(8.0)**	**(212.6)**

15.6 EQUITY MANAGEMENT

SUEZ ENVIRONNEMENT COMPANY strives to optimize its financial structure on a continuous basis by achieving an optimal balance between net debt and equity as shown in the consolidated statement of financial position. The main aim of the Group in terms of managing its financial structure is to maximize value for shareholders, reduce the cost of capital, maintain a strong 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 16 - PROVISIONS

At December 31, 2009:

In millions of euros	Dec. 31, 2008	Allow-ances	Reversals (utili-zations)	Reversals (surplus provi-sions)	Changes in scope of conso-lidation	Impact of unwinding discount adjust-ments (1)	Transla-tion adjust ments (2)	Other	Dec. 31, 2009
Pensions and other employee benefits	428.9	16.9	(22.6)	0.0	(5.2)	17.1	(3.3)	11.0	442.8
Sector-related risks	102.3	17.0	(24.5)	(2.3)	20.4	0.0	0.1	(8.0)	105.0
Warranties	34.5	7.0	(2.6)	(1.0)	6.5	0.0	(0.5)	(2.5)	41.4
Tax risks, other disputes and claims	125.0	60.9	(48.9)	(0.5)	0.1	0.0	0.3	(4.2)	132.7
Site restoration	485.3	32.4	(37.6)	(0.6)	0.0	(1.9)	12.9	0.0	490.5
Restructuring costs	19.7	31.2	(15.7)	(1.2)	0.1	0.0	0.0	0.5	34.6
Other contingencies	132.3	59.1	(47.3)	(1.8)	0.1	0.1	1.7	(2.2)	142.0
Total provisions	**1,328.0**	**224.5**	**(199.2)**	**(7.4)**	**22.0**	**15.3**	**11.2**	**(5.4)**	**1,389.0**

(1) 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.

(2) The Group reported €11.2 million in translation losses at December 31, 2009 related mainly to the UK and Australian 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 2009:

In millions of euros	Net allowances
Income from operating activities	**(3.7)**
Other financial income and expenses	**15.3**
Income tax expense	**21.6**
Total	**33.2**

16.1 PENSIONS AND OTHER EMPLOYEE BENEFITS

See Note 17.

16.2 SECTOR-RELATED RISKS

This item includes primarily 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.

16.3 TAX RISKS, OTHER DISPUTES AND CLAIMS

This item includes provisions for ongoing disputes involving employees or social security agencies (social security contribution relief, etc.), disputes arising in the ordinary course of business (customer claims, accounts payable disputes), tax adjustments and tax disputes.

16.4 SITE RESTORATION

The June 1998 European Directive on waste management introduced a number of obligations regarding the closure and long-term monitoring of landfills. These obligations lay down the rules and conditions incumbent on the operator (or owner of the site where the operator fails to comply with its obligations) in terms of the design and scale of storage, the collection and treatment of liquid (leachates) and gas (biogas) effluents. It also requires provisions for these facilities to be inspected over a 30 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 that the site is in operation, pro rata to the depletion of 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 is recorded as a counterparty against the provision. It is depreciated in line with the depletion of the landfill capacity or the need for coverage, during the period.

The calculation of rehabilitation provisions (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. Calculating the provision requires an evaluation of the cost of rehabilitating the area to be covered. The provision recorded in the statement of financial position 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. Biogas recycling 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).

16.5 OTHER CONTINGENCIES

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

NOTE 17 – PENSIONS AND OTHER EMPLOYEE BENEFITS OBLIGATIONS

17.1 DESCRIPTION OF THE MAIN PENSION PLANS AND RELATED BENEFITS

Most Group companies grant their employees post-employment benefits (pensions and early retirement plans, retirement bonuses, 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 or defined-contribution plans. Outside of France, the major plans for retirement and similar benefits are for the Group's companies in the US, UK and Spain.

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. This is especially the case in the Netherlands, where most of the Group's entities are in business activities that make it mandatory to join an industry-wide scheme. These plans spread risks so that financing is assured through payroll-based contributions, calculated uniformly across the board. The Group recognizes such multi-employer plans as defined contribution plans in accordance with IAS 19.

17.2 DEFINED-BENEFIT PLANS

Pursuant to IAS 19, the information presented on the statement of financial position for post-employment and other long-term benefits results from the difference between actuarial debt (gross commitment), the fair value of plan assets, and the potential cost of unrecognized past services. If this difference is positive, a provision is posted (net liability). If the difference is negative, a net asset is recognized on the statement of financial position.

17.2.1. Reconciliation with provisions carried in the statement of financial position

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

In millions of euros	Asset	Liability	Total
Balance at December 31, 2007	**17.3**	**(324.8)**	**(307.5)**
Translation gains and losses	(0.1)	(3.9)	(4.0)
Actuarial gains and losses (a)	1.3	(117.1)	(115.8)
Supplementary provision IFRIC 14 (b)	0.0	(6.3)	(6.3)
Changes in scope of consolidation and other	(15.8)	12.2	(3.6)
Expense for the period (c)	(0.3)	(26.0)	(26.3)
Contributions	0.1	37.1	37.2
Balance at December 31, 2008	**2.5**	**(428.8)**	**(426.3)**
Translation gains and losses	1.3	1.3	2.6
Actuarial gains and losses (a)	11.6	(21.6)	(10.0)
Supplementary provision IFRIC 14 (b)	(0.1)	5.2	5.1
Changes in scope of consolidation and other	(8.2)	15.1	6.9
Expense for the period (c)	(2.0)	(44.6)	(46.6)
Contributions	3.7	30.6	34.3
Balance at December 31, 2009	**8.8**	**(442.8)**	**(434.0)**

(a) Actuarial gains and losses on other employee benefits
(b) Supplementary provision translated at average exchange rate for the period.
(c) Including actuarial gains and losses on long-term benefits (particularly jubilees).

17.2.2. Changes in obligations for pensions and other employee benefits.

The Group's pension and other employee benefit plan obligations are as follows:

In millions of euros		December 31, 2009				December 31, 2008			
		Pension benefit obligations (a)	Other post-employment benefits (b)	Other long-term benefits (c)	Total	Pension benefit obligations (a)	Other post-employment benefits (b)	Other long-term benefits (c)	Total
A - Change in projected benefit obligation									
Projected benefit obligation at Jan. 1		**(730.9)**	**(170.5)**	**(14.7)**	**(916.1)**	**(756.1)**	**(147.5)**	**(14.5)**	**(918.1)**
Service cost		(22.5)	(5.3)	(0.9)	**(28.7)**	(23.7)	(5.2)	(0.9)	**(29.8)**
Interest cost		(39.8)	(8.6)	(0.8)	**(49.2)**	(40.6)	(8.8)	(0.7)	**(50.1)**
Contributions paid		(2.4)	0.0	0.0	**(2.4)**	(1.8)	0.0	0.0	**(1.8)**
Amendments		(2.8)	(1.8)	(0.1)	**(4.7)**	(4.5)	0.0	(0.2)	**(4.7)**
Acquisitions/disposals of subsidiaries (1)		18.6	0.0	0.0	**18.6**	(2.0)	0.0	0.0	**(2.0)**
Curtailments / settlements		2.9	0.0	0.3	**3.2**	24.0	0.1	0.0	**24.1**
Special terminations		(0.3)	0.0	(0.5)	**(0.8)**	(0.5)	(0.1)	0.0	**(0.6)**
Actuarial gains and losses		(43.9)	12.0	(0.3)	**(32.2)**	8.9	(8.3)	0.4	**1.0**
Benefits paid		34.0	6.1	1.2	**41.3**	36.0	5.6	1.2	**42.8**
Other		7.2	2.5	0.0	**9.7**	29.4	(6.3)	0.0	**23.1**
Projected benefit obligation at 12/31	**A**	**(779.9)**	**(165.6)**	**(15.8)**	**(961.3)**	**(730.9)**	**(170.5)**	**(14.7)**	**(916.1)**
B - Change in fair value of plan assets									
Fair value of plan assets at January 1		**470.5**	**31.0**	**0.0**	**501.5**	**583.8**	**38.1**	**0.0**	**621.9**
Expected return on plan assets		29.8	2.4	0.0	**32.2**	35.2	2.8	0.0	**38.0**
Contributions received		29.1	6.4	1.2	**36.7**	32.5	5.7	1.2	**39.4**
Acquisitions/disposals of subsidiaries (1)		(12.6)	0.0	0.0	**(12.6)**	0.1	0.0	0.0	**0.1**
Curtailments / settlements		(2.3)	0.0	0.0	**(2.3)**	(9.1)	(0.0)	0.0	**(9.1)**
Actuarial gains and losses		19.5	2.4	0.0	**21.9**	(104.9)	(11.5)	0.0	**(116.4)**
Benefits paid		(34.0)	(6.2)	(1.2)	**(41.4)**	(36.0)	(5.6)	(1.2)	**(42.8)**
Other		(4.6)	(1.1)	0.0	**(5.7)**	(31.1)	1.5	0.0	**(29.6)**
Fair value of plan assets at Dec. 31	**B**	**495.4**	**34.9**	**0.0**	**530.3**	**470.5**	**31.0**	**0.0**	**501.5**
C - Funded status	**A+B**	**(284.5)**	**(130.7)**	**(15.8)**	**(431.0)**	**(260.4)**	**(139.5)**	**(14.7)**	**(414.6)**
Unrecognized past service cost		9.1	(11.0)	0.0	**(1.9)**	7.7	(14.1)	0.0	**(6.4)**
Limit on defined benefit assets (IAS 19 sec. 58B)		0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Supplementary provision (IFRIC 14)		(1.1)	0.0	**0.0**	**(1.1)**	(5.3)	0.0	0.0	**(5.3)**
Net benefit obligation		**(276.5)**	**(141.7)**	**(15.8)**	**(434.0)**	**(258.0)**	**(153.6)**	**(14.7)**	**(426.3)**
Total liabilities		**(285.3)**	**(141.7)**	**(15.8)**	**(442.8)**	**(260.5)**	**(153.6)**	**(14.7)**	**(428.8)**
Total assets		**8.8**	**0.0**	**0.0**	**8.8**	**2.5**	**0.0**	**0.0**	**2.5**

(a) Pensions and retirement bonuses.

(b) Healthcare, gratuities and other post-employment benefits.

(c) Long-service awards and other long-term benefits.

(1) Disposals in 2009 corresponded primarily to LondonWaste, a subsidiary of SITA UK.

17.2.3. Balance of actuarial gains and losses recognized in equity.

Actuarial loss recognized in equity amounted to a loss of €91.4 million at December 31, 2009 compared with a loss of €90.5 million at December 31, 2008.

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Opening balance	**(90.5)**	**29.5**
Actuarial gains (losses) generated during the year *(1)*	(4.8)	(120.0)
Effects of changes in the scope of consolidation	3.9	0.0
Closing balance	**(91.4)**	**(90.5)**

(1) Including supplementary IFRIC 14 provision

Actuarial gains and losses are shown excluding translation adjustments, as the latter are shown separately in the total income statement.

17.2.4 Components of net periodic pension costs

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

In millions of euros	**Fiscal year 2009**	**Fiscal year 2008**
Current service cost	(28.7)	(29.8)
Interest cost	(49.2)	(50.1)
Expected return on plan assets	32.2	38.0
Actuarial gains or losses	(0.3)	0.4
Past service cost	(0.2)	0.3
Gains or losses on pension plan curtailments, terminations and settlements	0.7	15.0 (a)
Special terminations	(1.1)	(0.1)
Total	**(46.6)**	**(26.3)**
Of which recognized in Current Operating Income	(29.6)	(14.2)
Of which recognized in financial income/(loss)	(17.0)	(12.1)

(a) The abnormally low charge for fiscal year 2008 was due to a reversal of provisions resulting from the outsourcing of one of the Group's retirement plans in France.

17.2.5 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.

These strategies have a twofold objective:

- to maintain sufficient income streams and liquidity to cover pensions and other benefit payments; and
- in a controlled-risk environment, to achieve a long-term return on investment matching the discount rate or, as applicable, 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 Fund Manager manages the investment portfolio in units of account or euros, and 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's eurozone obligations and the shares of the largest companies in and outside the eurozone. In the case of euro funds, the insurer's sole obligation is to ensure a fixed minimum return on plan assets.

The funding of these obligations breaks down as follows:

In millions of euros	Actuarial debt	Fair value of plan assets	Cost of unrecognized past services	Limit on defined benefit assets and supplementary provision	**Total net obligation**
Underfunded plans	(638.9)	335.6	3.1	(1.1)	(301.3)
Overfunded plans	(186.3)	194.7	0.0	0.0	8.4
Unfunded plans	(136.1)	0.0	(5.0)	0.0	(141.1)
Total as of December 31, 2009	**(961.3)**	**530.3**	**(1.9)**	**(1.1)**	**(434.0)**
Underfunded plans	(827.3)	483.8	(6.9)	(5.3)	(355.7)
Overfunded plans	(15.5)	17.7	0.2	0.0	2.4
Unfunded plans	(73.3)	0.0	0.3	0.0	(73.0)
Total as of December 31, 2008	**(916.1)**	**501.5**	**(6.4)**	**(5.3)**	**(426.3)**

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

	2009	**2008**
Equities	38%	33%
Bonds	54%	41%
Real estate	1%	1%
Other (including money-market securities)	7%	25%
Total	**100%**	**100%**

17.2.6 Actuarial assumptions

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

	Pensions		**Other post-employment benefits**		**Long-term benefits**		**Total benefit obligation**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Discount rate	**5.2%**	5.7%	**4.9%**	5.6%	**4.8%**	5.3%	**5.1%**	5.7%
Estimated increase in salaries	**3.6%**	3.6%	**3.9%**	3.9%	**3.5%**	4.2%	**3.6%**	3.7%
Expected return on plan assets	**6.5%**	7.0%	**7.8%**	7.9%	**-**	-	**6.6%**	7.0%
Average remaining working lives of participating employees (years)	**14**	12	**15**	13	**13**	15	**14**	12

Discount and salary increase rates are shown including inflation.

17.2.6.1. 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 used for the euro and US dollar are the 10, 15 and 20-year rates on AA composite indices sourced from Bloomberg. For the United Kingdom, the rates used are based on the 15-year iBoox rate on AA composites.

17.2.6.2. Expected return on plan assets

To calculate the expected return on plan assets, the asset portfolio is broken down into homogeneous sub-groups, by 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, published 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 based on a risk premium, defined in accordance with the risk-free rate of return of Government bonds, by major asset class and geographic region.

17.2.6.3. Other assumptions

The assumptions used for healthcare cost trend rates (including inflation) are 4.6% for 2010, 4.3% for 2011 and 4.0% for 2012. These assumptions are used for the valuation of other post-employment benefits.

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

In millions of euros	One-point increase	One-point decrease
Impact on expenses	2.4	(1.9)
Impact on other post-employment benefits	23.7	(20.4)

17.2.6.4. Experience adjustments

Experience adjustments represent the impact of the difference between actuarial assumptions previously used, and the actual situation. Their share in actuarial gains and losses is presented below:

	December 31, 2009		December 31, 2008		December 31, 2007		December 31, 2006	
In millions of euros	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Projected benefit obligation (a)	(779.9)	(181.4)	(730.9)	(185.2)	(756.1)	(162.0)	(818.0)	(176.5)
Fair value of plan assets	495.4	34.9	470.5	31.0	583.8	38.1	587.5	37.8
Surplus/deficit	(284.5)	(146.5)	(260.4)	(154.2)	(172.3)	(123.9)	(230.5)	(138.7)
Experience adjustments to projected benefit obligations (b)	(14.4)	(3.1)	(0.5)	(1.4)	10.2	8.7	0.1	3.0
Experience adjustments to fair value of plan assets (b)	19.5	2.4	(104.9)	(11.5)	2.8	1.3	7.5	0.6
As a % of projected benefit obligation (b/a)	*-1%*	*0%*	*14%*	*7%*	*-2%*	*-6%*	*-1%*	*-2%*

17.2.7 Geographical breakdown of obligations

In 2009, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

In millions of euros	Eurozone		United Kingdom		United States		Rest of the world	
	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Net benefit obligations(a)	(169.1)	(71.6)	(15.6)	-	(65.7)	(39.2)	(34.1)	(35.7)
Discount rate	4.9%	4.6%	5.7%	-	6.1%	6.2%	3.2%	2.8%
Estimated future increase in salaries	3.6%	4.3%	4.6%	-	3.1%	3.1%	3.0%	4.9%
Expected return on plan assets	5.6%	6.6%	6.6%	-	8.5%	8.5%	6.8%	3.7%
Average remaining working lives of participating employees (years)	14	12	10	-	13	15	12	14

(a) Net obligations correspond to the difference between actuarial debt and the fair value of plan assets.

17.2.8 Payments due in 2010

The Group expects to contribute approximately €34.2million to its defined benefit plans in 2010.

17.3 DEFINED CONTRIBUTION PLANS

During the course of 2009, the Group recorded an €47.0 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

NOTE 18 – CONSTRUCTION CONTRACTS

"Amounts due from customers under construction contracts" and "Amounts due to customers under construction contracts" are presented in the statement of financial position under "Trade and other receivables" and "Trade and other payables," respectively.

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Amounts due from customers under construction contracts	113.8	128.4
Amounts due to customers under construction contracts	200.4	173.5
Net position	**(86.6)**	**(45.1)**

For contracts in progress the closing date:

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Cumulated cost incurred and margins recognized	3,422.5	2,951.3
Advances received	96.2	168.0

Contingent liabilities arising from construction contracts are not material.

NOTE 19 – FINANCE LEASES

The net amount of Property, plant and equipment assets owned under finance leases are broken down into various 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 millions of euros	**Future minimum lease payments at December 31, 2009**		**Future minimum lease payments at December 31, 2008**	
	Undiscounted value	**Present value**	**Undiscounted value**	**Present value**
During year 1	60.7	59.2	66.4	63.6
During years 2 to 5 inclusive	218.2	199.6	210.6	181.5
Beyond year 5	259.8	185.5	301.1	190.2
Total future minimum lease payments	**538.7**	**444.3**	**578.1**	**435.3**

NOTE 20 – OPERATING LEASES

Operating lease income and expense recognized for the 2009 and 2008 fiscal years breaks down as follows:

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Minimum lease payments	(238.5)	(261.4)
Contingent lease payments	(26.2)	(26.6)
Sub-letting income	0.0	4.2
Sub-letting expense	(2.9)	(3.9)
Other operating lease expenses	(7.6)	(9.3)
Total	**(275.2)**	**(297.0)**

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

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
During year 1	115.5	120.2
During years 2 to 5 inclusive	258.1	196.1
Beyond year 5	225.9	130.3
Total	**599.5**	**446.6**

The increase over 2008 was due to the lease of the CB21 tower. By end-2010, this tower, located at La Défense (Paris), will be the headquarters for SUEZ ENVIRONNEMENT, Lyonnaise des Eaux, Sita France, Degrémont and OIS.

NOTE 21 – 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 13.2.3).

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 22 – CASH FLOWS

22.1 RECONCILIATION WITH INCOME TAX EXPENSE IN THE INCOME STATEMENT

	Tax cash flows (income tax expense)	
In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Impact on income statement	**(128.8)**	**(92.7)**
Non cash items :		
- provisions for income tax	21.6	13.8
- deferred tax	(103.4)	(50.9)
- change in taxes payable (a)	94.2	(74.5)
- other	1.5	(0.5)
Impact on cash-flow statement	**(114.9)**	**(204.8)**

(a) This mainly concerns the repayment in February 2009 by the French tax authorities of tax prepayments made by the subsidiaries in 2008 within the framework of the former SUEZ French tax consolidation group.

22.2 RECONCILIATION WITH FINANCIAL INCOME/(LOSS) IN THE INCOME STATEMENT

	Financial cash flows (financial income/loss)	
In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Impact on income statement	**(260.0)**	**(329.8)**
Changes in amortized cost	105.1	0.0
Impact of exchange rate and changes in fair value	(8.5)	16.8
Unwinding of discounting adjustment to provisions	25.2	43.0
Other	(7.3)	(4.2)
Impact on cash-flow statement	**(145.6)**	**(274.2)**

NOTE 23 – SHARE-BASED PAYMENTS

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

In millions of euros		(Expense) for the period	
	Note	Dec. 31, 2009	Dec. 31, 2008
Stock-option plans	*23.1*	(14.0)	(14.8)
Employee share issues	*23.3*	-	-
Share Appreciation Rights (a)	*23.3*	(1.3)	(2.0)
Bonus/ performance share award plans	*23.2*	(38.0)	(32.9)
Exceptional bonus (b)	*23.4*	(3.3)	(3.2)
TOTAL		**(56.6)**	**(52.9)**

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

(b) The exceptional bonus is included in EBITDA.

23.1 STOCK OPTION PLANS

23.1.1 2009 plans

Pursuant to a decision of the Shareholders' Meeting of May 26, 2009, the SUEZ ENVIRONNEMENT COMPANY Board of Directors resolved to implement its first-ever stock purchase option plan, the main objective of which is to give management level employees and senior management, as well as high-potential employees, a stake in the company's future development and creation of shareholder value. This plan will also contribute to increasing the loyalty of the management teams.

At its meeting of December 17, 2009, the Board of Directors also resolved to allocate 3,464,440 stock options to 984 beneficiaries at an exercise price of €15.49. The exercise of these options is subject to performance criteria, according to the following conditions:

- for members of the Management Committee and Executive Committee:
  - 35% of allocated options are contingent on SUEZ ENVIRONNEMENT COMPANY's stock market performance against the average performance of the CAC 40 and Eurostoxx Utilities indices for the period December 17, 2009 to December 16, 2013.
  - 35% of the options are additionally contingent on the Group's cumulative recurring net income between 2009 and 2012, inclusive.
- for other recipients, the exercise of 50% of these options is contingent solely on the stock price described above.

The Chief Executive Officer has waived allocation of SUEZ ENVIRONNEMENT COMPANY stock options for 2009.

Moreover, to extend the plans described below and in view of the shareholder relationships between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, on November 10, 2009 the GDF SUEZ Board of Directors resolved to allocate 399,784 stock purchase options to employees of SUEZ ENVIRONNEMENT COMPANY at an exercise price of €29.44. Approximately one third of these options are subject to the following performance condition: they may be exercised if, after expiration of the lock-in period, the GDF SUEZ stock price is greater than or equal to the strike price, which is

adjusted to reflect changes in the Eurostoxx Utilities index over the period from Monday, November 9, 2009 to Friday, November 8, 2013, inclusive.

The Chief Executive Officer also waived his GDF SUEZ stock options for 2009.

23.1.2. Description of current plans

SUEZ ENVIRONNEMENT COMPANY plans

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted exercise price	Balance to be exercised on 12/31/2008	Exercised**	Granted	Canceled or expired	Balance to be exercised on 12/31/2009	Expiration date	Residual life
12/17/2009	05/26/2009	12/17/2013	15.49	0	0	3,464,440	0	3,464,440	12/16/2017	8.0
Total				**0**	**0**	**3,464,440**	**0**	**3,464,440**		

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

The average stock price for SUEZ ENVIRONNEMENT COMPANY in 2009 was €13.30.

SUEZ and GDF SUEZ plans

Plan		Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted exercise price	Balance to be exercised on 12/31/2008	Exercised**	Granted	Canceled or expired	Balance to be exercised on 12/31/2009	Expiration date	Residual life
11/19/2003	*	05/04/2001	11/19/2007	12.39	888,524	121,609	0	3,659	763,256	11/18/2011	1.9
11/17/2004	*	04/27/2004	11/17/2008	16.84	2,556,656	286,490	0	4,854	2,265,312	11/16/2012	2.9
12/09/2005	*	04/27/2004	12/09/2009	22.79	1,984,500	65,949	0	20,784	1,897,767	12/09/2013	3.9
01/17/2007		04/27/2004	01/16/2011	36.62	1,676,335	0	0	23,526	1,652,809	01/16/2015	5.0
11/14/2007		05/04/2007	11/13/2011	41.78	1,325,249	0	0	18,529	1,306,720	11/13/2015	5.9
11/12/2008		07/16/2008	11/12/2012	32.74	1,081,720	0	0	15,120	1,066,600	11/11/2016	6.9
11/10/2009		05/04/2009	11/10/2013	29.44	0	0	399,784	0	399,784	11/09/2017	7.9
Total					**9,512,984**	**474,048**	**399,784**	**86,472**	**9,352,248**		

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

The provisions corresponding to the various plans prior to 2009 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

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 granted by SUEZ before the merger with Gaz de France have been reduced via the application of a 0.80 coefficient in 2008.

The average price of GDF SUEZ shares in 2009 was €28.09.

23.1.3. Fair value of allocated options

The fair value of non performance-contingent options allocated in 2009 was based on a binomial model. The following assumptions were used:

- for GDF SUEZ :
    - volatility of 32.41%
    - a risk-free rate of 3.13%
    - a statutory annual dividend of €1.6

- for SUEZ ENVIRONNEMENT COMPANY :
  - volatility of 29.20%
  - a risk-free rate of 2.93%
  - a statutory annual dividend of €0.65

The volatility of SUEZ ENVIRONNEMENT COMPANY stock was determined on the basis of the historical volatility of comparable entities over a comparable period, in accordance with IFRS 2. The volatility of GDF SUEZ stock was specified as the moving average volatility over the duration of the plan's existence.

The fair value of non performance-contingent options thus calculated was:
- €6.27 for GDF SUEZ options
- €3.74 for SUEZ ENVIRONNEMENT COMPANY options

The fair value of performance contingent options allocated in 2009 was based on the Monte Carlo model. In addition to the above assumptions, the following specific market-condition assumptions were used:
- for GDF SUEZ
  - Correlation between GDF SUEZ stock and the Eurostoxx Utilities index: 77.3%
  - Volatility of the Eurostoxx Utilities index: 18.7%

- for SUEZ ENVIRONNEMENT COMPANY
  - Correlation between SUEZ ENVIRONNEMENT COMPANY stock and the Eurostoxx Utilities index: 52.9%
  - Correlation between SUEZ ENVIRONNEMENT COMPANY stock and the CAC 40 index: 51.6%
  - Correlation between the CAC 40 index and the Eurostoxx Utilities index: 83.4%
  - Volatility of the Eurostoxx Utilities index: 18.7%
  - Volatility of the CAC 40 index: 21.4%

The fair value of performance contingent options was thus:
- €5.41 for the GDF SUEZ options
- €2.81 for the SUEZ ENVIRONNEMENT COMPANY options

23.1.4 Accounting impact

Based on assumed employee turnover of 5%, the expense recorded during the period in relation to stock option plans was as follows:

In millions of euros		(Expense) for the period	
	Grant date	Dec. 31, 2009	Dec. 31, 2008
SUEZ plan	11/17/2004	0.0	(2.6)
SUEZ plan	12/09/2005	(3.0)	(3.2)
SUEZ plan	01/17/2007	(4.5)	(4.5)
SUEZ plan	11/14/2007	(4.2)	(4.2)
GDF SUEZ plan	11/12/2008	(2.1)	(0.3)
GDF SUEZ plan	11/10/2009	(0.1)	0.0
SUEZ ENVIRONNEMENT COMPANY plan	12/17/2009	(0.1)	0.0
TOTAL		**(14.0)**	**(14.8)**

Adjustments in beneficiary rights resulting from the merger between SUEZ and Gaz de France had no impact on expenses during the period.

23.1.5 Share Appreciation Rights (SAR) plans

As part of the SUEZ delisting procedure in the United States, the allocation of stock options to employees of the Group's US companies were replaced by a Share Appreciation Rights (SAR) plan 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. SAR allocations to US employees have no material impact on the SUEZ ENVIRONNEMENT COMPANY Group's financial statements.

23.2. ALLOCATIONS OF BONUS SHARES

Terms and conditions relating to various plans prior to 2009 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.2.1. Allocations in 2009

23.2.1.1. Worldwide financial incentive scheme

A worldwide financial incentive scheme was implemented in 2007 within the former SUEZ Group, to involve all employees more closely in the Group's performance. Subject to the fulfillment of certain conditions, this saw every employee allocated bonus shares in 2007 and 2008. The arrangement having been entered into for a period of three years, on July 8, 2009 the GDF SUEZ Board of Directors resolved to allocate conditional bonus shares for 2009. For that year, employees of the SUEZ ENVIRONNEMENT COMPANY Group received specific benefits. In accordance with the 2007 plan, they were allocated 30 SUEZ ENVIRONNEMENT COMPANY bonus shares by the SUEZ ENVIRONNEMENT COMPANY Board of Directors at its meeting of June 25, 2009, and 8 GDF SUEZ shares by GDF SUEZ Board of Directors' meeting of July 8, 2009. Approximately 68,000 employees of the SUEZ ENVIRONNEMENT COMPANY Group were involved.

The members of the Management Committee waived their own allocations.

23.2.1.2. Performance shares

On December 17, 2009, the SUEZ ENVIRONNEMENT COMPANY Board of Directors granted 145,052 performance shares to 1,070 beneficiaries, with a vesting period of two or four years, depending upon country. Allocation of these performance shares was subject to:

- being in service at the time (except in case of retirement, death or disability);
- a performance condition based on the EBITDA of the SUEZ ENVIRONNEMENT COMPANY Group.

The Board of Directors meeting on December 17, 2009 also allocated 28,800 performance shares to the CEO. They are subject to the same conditions as those applying to the stock options allocated to the Management Committee (see 23.1.1).

Moreover, in extending past plans and in view of the shareholder relationships between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, on November 10, 2009 the GDF SUEZ Board of Directors granted 146,656 performance shares to employees of the SUEZ ENVIRONNEMENT COMPANY Group, with a vesting period of two or four years, depending upon the country. The allocation of these performance plans was subject to:

- being in service at the time (except in case of retirement, death or disability);
- a performance condition based on the EBITDA of the GDF SUEZ Group

23.2.2. Description of current plans

SUEZ ENVIRONNEMENT COMPANY plans	Number of shares granted	Fair value per share
June 2009	2,040,810	9.6 *
December 2009	173,852 **	12.3 *

** weighted average fair value*
*** including 28,800 allocated to the CEO*

SUEZ and GDF SUEZ plans	Number of shares granted	Fair value per share
February 2007	334,156	36.0
July 2007	838,684	37.8 *
August 2007	46,056	32.1
November 2007	396,042	42.4
June 2008	928,725	39.0 *
June 2008	24,740	37.8
November 2008	357,034	28.5 *
July 2009	544,216	19.7 *
November 2009	146,656	24.8 *

** weighted average fair value*

23.2.3. Description of the valuation model

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- or four-year vesting period on the one hand and for the lock-in period attached to the shares on the other.

Pursuant to the recommendations of the French National Accounting Council (Conseil National de la Comptabilité), the lock-in period for the employee is measured using a replication strategy in which the employee would sell the share upon expiry of the lock-in and borrow the amount needed to purchase a free share immediately, financing the borrowing by a forward sale and any dividends paid during the lock-in period.

That expense 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.

23.2.4. Impact on income during the year

The expense recognized on current plans during the period is as follows:

In millions of euros		(Expense) for the period	
		Dec. 31, 2009	**Dec. 31, 2008**
SUEZ plan	February 2006	0.0	(0.6)
SUEZ plan	February 2007	(1.1)	(5.5)
SUEZ plan	July 2007	(7.8)	(11.6)
SUEZ plan	August 2007	(0.3)	(0.3)
SUEZ plan	November 2007	(6.8)	(6.8)
SUEZ plan	June 2008	(12.8)	(7.5)
SUEZ plan	June 2008	(0.3)	(0.1)
GDF SUEZ plan	November 2008	(3.5)	(0.5)
SUEZ ENVIRONNEMENT COMPANY plan	June 2009	(3.4)	0.0
GDF SUEZ plan	July 2009	(1.8)	0.0
GDF SUEZ plan	November 2009	(0.2)	0.0
SUEZ ENVIRONNEMENT COMPANY plan	December 2009	0.0	0.0
TOTAL		**(38.0)**	**(32.9)**

23.3 EMPLOYEE SHARE ISSUES

There were no employee share issues in 2009.

In 2004, 2005 and 2007 employees were entitled to subscribe to share issues under Group corporate savings plans. These subscriptions could 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 : This plan allows employees to subscribe to SUEZ shares, either directly or via an employee mutual 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).

In addition, Share Appreciation Rights (SAR) were allocated within the SUEZ Group's 2004, 2005 and 2007 plans. 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.

The accounting impact of the cash-settled Share Appreciation Rights (SAR) consists in recognizing a debt against the employee payable over the vesting period of the rights, with the corresponding adjustment recorded in income. At December 31, 2009, the fair value of the debt relative to the 2005 and 2007 allocations was €5.0 million. The 2004 plan matured on December 23, 2009. The warrants were exercised for a value of €6.7 million.

The fair value of the debt is calculated based on the Black & Scholes options-pricing model.

The impact of the SARs on 2009 income was an expense of €1.3 million (excluding warrants).

23.4 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 between SUEZ and Gaz de France, 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, 2009.

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. In 2009 the expense corresponding to this premium totaled €3.3 million. The fair value of the debt upon expiration of the plan is estimated at €11.2 million.

NOTE 24 – 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 over which the Group exercises joint control or significant influence (joint ventures and associates).

Only material transactions are described below.

24.1 TRANSACTIONS BETWEEN THE PARENT COMPANY AND RELATED ENTITIES

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Transactions with the parent company GDF SUEZ:		
Purchases / sales of goods and services	**(19.9)**	(30.7)
Financial income		1.4
Non-financial payables	**15.2**	13.3
Borrowings		
Non-financial receivables	**1.3**	1.2
Receivables carried at amortized cost (a)	**30.3**	36.6
Transactions with companies linked to the parent company GDF SUEZ :		
Purchases / sales of goods and services	**(36.2)**	(5.4)
Financial income	**16.4**	14.8
Financial expenses	**(75.4)**	(128.4)
Non-financial receivables	**30.8**	36.1
Financial receivables	**10.9**	43.5
Non-financial payables	**5.1**	2.2
Borrowings excluding financial instruments	**1,939.2**	2,935.3
Commodity derivatives (liabilities)	**16.7**	51.4
Interest accrued not yet paid	**(21.6)**	8.6
Net cash	**661.5**	319.2

(a) See Note 2.2 - Synthetic Argentinean contract

In 2009, the reduction in financial debt to companies linked to the GDF SUEZ parent company was due to the SUEZ ENVIRONNEMENT Group's commitment to repay these short-term borrowings from GDF SUEZ Finance, a subsidiary of GDF SUEZ, within two years. Moreover, the creation of a centralized cash management at SUEZ ENVIRONNEMENT level for Lyonnaise des Eaux and OIS entities contributed to reducing the amount of financial debt in question (until 2008, cash management was conducted by GDF SUEZ Finance).

24.2 TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

In 2009, transactions with joint ventures and associates essentially comprised exchanges of technical services within Degrémont, totaling €11.7 million,compared to €12 million at December 31, 2008.

The Group also granted a loan of €121.5 million toSFWD (of which €12 million in 2009). SFWD is a company proportionately consolidated, at 50%. The "non-Group" share of €60.7 million was recognized under assets on the Group's consolidated statement of financial position.

At December 31, 2008, transactions with joint ventures and associates consisted primarily of exchanges of technical services with Hungariavitz, SFWD and Swire Sita totaling €8.2 million. At December 31, 2009, Swire Sita was wholly acquired by the Group (see Note 2). This company is therefore no longer a joint venture.

NOTE 25 – EXECUTIVE COMPENSATION

The Group's key executives were the eight members of the Management Committee at December 31, 2009 (6 acting members at December 31, 2008, see Section 14.1.3. of this reference document).

Their compensation is as follows:

In millions of euros	**Dec. 31, 2009**	**Dec. 31, 2008**
Short-term benefits	4.6	3.0
Post-employment benefits	0.4	0.1
Share-based payments	2.7	2.0
Severance payments	-	-
Total	**7.7**	**5.1**

* Post-employment benefits only relate to the SUEZ ENVIRONNEMENT COMPANY Group plans

The growth in this expense in 2009 was due to the expansion of the Management Committee to include two additional members. They were both already Group employees in 2008.

NOTE 26 – LEGAL AND ARBITRATION PROCEEDINGS

The litigation and arbitration presented below is recognized under liabilities or presented for information purposes. Beyond the litigation presented below for information purposes, the Group has not identified any other material liabilities, and the likelihood of an expenditure within the context of its commitments is considered low.

26.1 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 Veolia Eau (a subsidiary of Veolia Environnement) and Lyonnaise des Eaux France (a subsidiary of SUEZ ENVIRONNEMENT) 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. Veolia Eau has appealed the decision of the Anti-Trust Council several times.

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.

In December 2008, Lyonnaise des Eaux France and Veolia signed an agreement to proceed with this unwinding. On July 30, 2009, the European Commission authorized the plan for Veolia Eau to purchase Lyonnaise des Eaux' holdings in three subsidiaries which it held jointly with Lyonnaise des Eaux. For its part, Lyonnaise des Eaux's purchase of six other joint subsidiaries was authorized by the European Commission on August 5, 2009.

The agreement of December 2008 produced an addendum dated February 3, 2010 aimed at the repurchase by Lyonnaise des Eaux of the stake held by Veolia Eau in two of the three jointly owned subsidiaries originally acquired by Veolia Eau. A new application for authorization relecting the terms of the addendum was communicated to the European Commission. The process should complete in the first half of 2010.

26.2 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 closing 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 €132.7 million at December31, 2009 (excluding litigations in Argentina).

26.2.1 Litigations in Argentina

In Argentina, public services contract tariffs were frozen by the Public Emergency and Exchange Regime Reform Law (Emergency Act) in January 2002, thus preventing the application of contractual price indexation that would apply in the event that the Argentine peso depreciated against the US dollar.

En 2003, SUEZ—now GDF SUEZ—and its co-shareholders holding the water concessions for Buenos Aires and Santa Fee, filed arbitration proceedings against the Argentine government in its capacity as grantor, to enforce the contractual clauses of the concession agreements before the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentine investment protection treaties.

These ICSID arbitration proceedings, currently underway, 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. The ICSID affirmed its competency to rule on the two cases in 2006. Hearings were held in 2007 for the two arbitration cases, with the rulings to be handed down in the first quarter of 2010. At the same time as the ICSID proceedings, the concession holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

However, with the financial situation of the concession-holding companies having deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced it was filing for judicial liquidation at its shareholders' meeting of January 13, 2006.

At the same time, Aguas Argentinas applied to file a "*Concurso Preventivo*" (similar to a French bankruptcy procedure). As part of these receivership proceedings, a settlement proposal involving the deferral of admissible liabilities of Aguas Argentinas was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The settlement of liabilities is now underway. The proposal provides for an initial payment of 20% (about $40 million) upon approval, and a second payment of 20% in event of compensation by the Argentine government. As controlling shareholders, SUEZ and Agbar have resolved to financially support Aguas Argentinas in making this first payment, and have paid €6.1 and €3.8 million respectively, since the approval.

We note that SUEZ and SUEZ ENVIRONNEMENT—prior to SUEZ' merger with Gaz de France and the stock market listing of SUEZ ENVIRONNEMENT COMPANY—entered into an agreement providing for the economic transfer to SUEZ ENVIRONNEMENT of the rights and obligations related to interests held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

The Group believes that the provisions recorded in the financial statements relating to this litigation are appropriate.

26.2.2 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. In the first half of 2009, the French Cour de Cassation confirmed the decision of the investigating chamber of the Lyon Appeals Court rejecting the action.

Novergie Centre Est had been indicted on December 22, 2005 on counts of endangering the lives 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 cases of cancer 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." On September 9, 2009, the investigation chamber of the Chambéry Appeals Court upheld the dismissal of charges of endangering the lives of others for the Novergie employees.

The date of referral to the Correctional Court is not known, to date.

26.2.3 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. A motion to dismiss these claims was filed by United Water in July 2009. This motion was denied on August 28, 2009, and United Water has appealed against this decision.

The claim for punitive damages and interest was denied on December 21, 2009, and confirmed on February 11, 2010 following the appeal by the residents against this decision.

The claim has been declared to the insurance companies.

26.2.4 Sita Australia

In November 2008, residents of Brookland Greens Estate, located in the suburbs of the city of Casey, State of Victoria, Australia, filed a class action before the State Supreme Court of Victoria against the city of Casey.

Biogas (a mixture of methane and carbon dioxide) produced by the Stevensons Road landfill—which belongs to the city—had allegedly migrated through the soil and was threatening residences built in the vicinity. A molded barrier was constructed around the landfill to contain the migration.

The plaintiffs have not specified figures but are claiming a loss of value of their homes, requesting that the competent jurisdiction determine the amount of damages.

In April 2009 the city of Casey called on Sita Australia to guarantee the services it provided between 2003 and 2006 in relation to the closing and capping of the landfill. Sita Australia was also sued by the plaintiffs on November 15, 2009 along with other participants.

Sita Australia does not believe it is liable in any way for the alleged damage.

This claim has been reported to the insurance companies.

26.3 TAX LITIGATION

26.3.1 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. In addition, in May 2009, Agbar was notified of an assessment of €60.5 million for fiscal years 2002 to 2004, without additional penalties.

The company challenged these notices in court, which were for each period in question justified with similar arguments by the tax authorities. Agbar considers that the tax authorities' arguments are groundless.

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 cancelled the penalties. However, Agbar appealed against this judgment on the remaining part of the reassessment, which is now being currently examined.

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 against that judgment in July 2008: the part of the reassessment that was upheld is currently being examined.

Finally, in June 2009, Agbar filed suit with the administrative court for fiscal years 2002 to 2004.

26.3.2 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.

An agreement was signed on September 28, 2009 between LYDEC and the Moroccan tax authorities, concluding the case.

This agreement confirmed LYDEC’s risk analysis, that the amounts of the reassessments communicated by the authorities were excessive.

26.3.3 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 27 – SUBSEQUENT EVENTS

Acquisition of Agbar:

On January 12, 2010, an Extraordinary Shareholders' Meeting of Aguas de Barcelona (AGBAR), approved by majority vote the resolutions relating to the public delisting offer of the company, followed by the cancellation of the shares acquired thereby, as well as the resolution relating to AGBAR's sale of its ADESLAS stake to Criteria Caixa Corp.

On January 14, 2010, the Group signed an agreement with Criteria to buy the shares of Agbar and Hisusa in order to hold directly and indirectly 75.01% of Agbar shares. The same day, Agbar and Criteria signed an agreement to sell all Adeslas shares held by Agbar. The realization of these transactions remains subject to the completion of Agbar's public delisting offer (itself subject to approval by the Spanish market authorities – CNMV) and the authorization of the Antitrust authorities.

The Group and Criteria also agreed a shareholders' agreement establishing the principles for managing Agbar and Hisusa and governing their future relationship as shareholders of Agbar and Hisusa.

This new agreement will take effect when Agbar and Hisusa shares are acquired by the Group and will supersede the shareholders' agreement currently in place. The new agreement will provide specifically for:

- the Group's exclusive control of Agbar and consequently the full consolidation of Agbar within the Group's consolidated financial statements;
- a new governance of Agbar and Hisusa.

On February 11, 2010 Agbar filed the prospectus for the public delisting offer with the CNMV.

Unwinding of jointly-owned subsidiaries with Veolia Environnement:

The agreement of December 2008 produced an addendum dated February 3, 2010, aimed at the repurchase by Lyonnaise de Eaux of the stake held by Veolia Eau in two of the three jointly owned subsidiaries originally acquired by Veolia.

A new application for authorization was made to the European Commission to reflect the terms of the addendum.

The process should complete during the first half of 2010.

NOTE 28 – LIST OF THE MAIN COMPANIES CONSOLIDATED AT DECEMBER 31, 2009 AND 2008

Names	Headquarters address	% interest		% control		Consolida-tion method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
SUEZ ENVIRONNEMENT COMPANY	1, rue d'Astorg 75008 PARIS - France	100.0	100.0	100.0	100.0	FC	FC
WATER EUROPE							
LYONNAISE DES EAUX France	11, place Edouard VII 75009 PARIS - France	100.0	100.0	100.0	100.0	FC	FC
EAU ET FORCE	30, rue Paul Vaillant Couturier - BP 712 92007 Nanterre - France	100.0	100.0	100.0	100.0	FC	FC
EAUX DE MARSEILLE	25, rue Edouard-Delanglade 13006 Marseille - France	48.8	48.8	48.8	48.8	PC	PC
EAUX DU NORD	217, boulevard de la Liberté BP 329 59020 Lille - France	49.6	49.6	49.6	49.6	PC	PC
S.C.M. (SDEI)	988, chemin Pierre Drevet 69140 Rillieux la Pape - France	100.0	100.0	100.0	100.0	FC	FC
STEPHANOISE DES EAUX	28, rue Eugène Beaune 42043 Saint-Etienne - France	50.0	50.0	50.0	50.0	PC	PC
HISUSA	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Espagne	51.0	51.0	51.0	51.0	PC	PC
AGBAR (a)	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Espagne	45.9	45.9	51.0	51.0	PC	PC
AGUAS ANDINAS (b)	Avenida Presidente Balmaceda 1398, Piso – 4, Santiago - Chili	13.2	13.2	51.0	51.0	PC	PC
EURAWASSER	Carl-Hopp-Strasse 1, D-18069 Rostock - Allemagne	100.0	100.0	100.0	100.0	FC	FC
ONDEO INDUSTRIAL SOLUTIONS	23, rue du Professeur Pauchet 92420 Vaucresson - France	100.0	100.0	100.0	100.0	FC	FC
WASTE EUROPE							
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES, Royaume-Uni	100.0	100.0	100.0	100.0	FC	FC
SE DEUTSCHLAND GmbH	Industriestrasse 161 D-50999, Köln, Allemagne	100.0	100.0	100.0	100.0	FC	FC
SITA NEDERLAND BV	Mr. E.N. van Kleffensstraat 6, Postbus 7009, NL - 6801 HA Arnhem, Pays-Bas	100.0	100.0	100.0	100.0	FC	FC
SITA France	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	99.9	99.9	99.9	99.9	FC	FC
SITA ILE DE France	2 à 6, rue Albert de Vatimesnil 92532 Levallois Perret - France	99.9	99.9	99.9	99.9	FC	FC
TERIS	54, rue Pierre Curie - ZI des Gâtines - BP 131 - 78373 Plaisir - France	99.9	99.9	99.9	99.9	FC	FC
SITA BELGIUM	Rue Gatti de Gamond 254 - 1180 Bruxelles - Belgique	100.0	100.0	100.0	100.0	FC	FC
SOCALUX	Lamesch SA - ZI Wolser Nord BP 75 - L-3201 Bettembourg - Luxembourg	100.0	100.0	100.0	100.0	FC	FC
NOVERGIE HOLDING	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	99.9	99.9	99.9	99.9	FC	FC
SITA SVERIGE AB.	Kungsgardsleden - 26271 Angelholm - Suède	100.0	100.0	100.0	100.0	FC	FC
SITA FINLAND OY AB	Sahaajankatu 49 - 00880 Helsinki - Finlande	100.0	100.0	100.0	100.0	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.

Names	Headquarters address	% interest		% control		Consolida-tion method	
		Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008	Dec. 2009	Dec. 2008
INTERNATIONAL							
SWIRE SITA	2801 Island Place Tower - 510 King's Road - North Point - Hong-Kong	100.0	50.0	100.0	50.0	FC	PC
SITA AUSTRALIA	PO Box 160, Kemps Creek NSW 2171 - Australie	60.0	60.0	60.0	60.0	FC	FC
SITA CZ	Konevova, 1107/54 - 130 00 Praha 3 - République Tchèque	100.0	100.0	100.0	100.0	FC	FC
BVK	Hybelota 16 65733 Brno - République Tchèque	46.3	46.2	46.3	46.2	EM	EM
UNITED WATER	200 Old Hook Road, Harrington Park New Jersey - Etats-Unis	100.0	100.0	100.0	100.0	FC	FC
MACAO WATER	718 avenida do Conselheiro Borja Macao Via - Macao - Chine	42.5	42.5	Consolidated by SFH	Consolidated by SFH	PC	PC
DEGREMONT	183, avenue du 18 juin 1940 92500 Rueil Malmaison - France	100.0	100.0	100.0	100.0	FC	FC
LYDEC	20, boulevard Rachidi, Casablanca – Maroc	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	PC	PC
PT PAM LYONNAISE JAYA	Central Senayan 1, 7th floor JI. Asia Afrika n°8 - 10270 Jakarta - Indonésie	51.0	51.0	51.0	51.0	FC	FC
SE POLSKA	Ul. Kopernika, 17 - 02359 Warszawa - Pologne	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	FC	FC

FC = Full consolidation
PC = Proportional consolidation (joint-venture)
EM = Equity method (associates)

NOTE 29 – FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

The accounting firms Ernst & Young and Mazars act as Statutory Auditors for the SUEZ ENVIRONNEMENT COMPANY Group. Information on fees paid to the statutory auditors and members of their networks is provided in accordance with Decree 2008-1487.

29.1 FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS ASSUMED BY THE GROUP FOR FISCAL YEAR 2009:

In thousands of euros	Ernst & Young		Mazars	
	Amount	%	Amount	%
Audit				
Statutory auditors, attest engagements, review of individual and consolidated accounts [1]				
Suez Environnement Company SA	800	9.5%	647	21.2%
Fully and proportionally consolidated subsidiaries	6,458	76.7%	2,227	73.1%
Other audit procedures and incidental assignements in relation to Auditor's engagement to the Statutory Auditor's mission				
Suez Environnement Company SA	269	3.2%	146	4.8%
Fully and proportionally consolidated subsidiaries	588	7.0%	25	0.8%
Sub-total	**8,115**	**96.4%**	**3,045**	**100.0%**
Other services				
Tax	305	3.6%		0.0%
Other	0	0.0%	0	0.0%
Sub-total	**305**	**3.6%**	**0**	**0.0%**
TOTAL [2]	**8,420**	**100%**	**3,045**	**100%**

[1] the amounts relating to the Group's internal control audit totaled 785,000 euros

[2] the amounts relating to the entities consolidated proportionally, which largely involved tasks assigned to the Statutory Auditors, totaled 353,000 euros

29.2 FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS ***ASSUMED BY THE GROUP FOR FISCAL YEAR 2008:***

In thousands of euros	Ernst & Young		Mazars	
	Amount	%	Amount	%
Audit				
Statutory auditors, attest engagements, review of individual and consolidated accounts [(1)]				
Suez Environnement Company SA	711	8.3%	470	19.0%
Fully and proportionally consolidated subsidiaries	7,260	85.2%	1,914	77.3%
Other audit procedures and incidental assignements in relation to Auditor's engagement to the Statutory Auditor's mission				
Suez Environnement Company SA	70	0.8%		0.0%
Fully and proportionally consolidated subsidiaries	347	4.1%	60	2.4%
Sub-total	**8,388**	**98.5%**	**2,444**	**98.7%**
Other services				
Tax	111	1.3%	0	0.0%
Other	18	0.2%	31	1.3%
Sub-total	**129**	**1.5%**	**31**	**1.3%**
TOTAL [(3)]	**8,517**	**100%**	**2,475**	**100%**

[(1)] **the amounts relating to the Group's internal control audit totaled 850,000 euros**

[(2)] **the amounts relating to IPO expenses totaled 1,180,000 euros (Ernst & Young only).**

[(3)] **the amounts relating to the entities consolidated proportionally, which largely involved tasks assigned to the Statutory Auditors, totaled 207,000 euros.**