CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010 AND 2009

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

in € millions	Note	December 31, 2010	December 31, 2009
NON-CURRENT ASSETS			
Net intangible assets	10	3,778.8	2,235.8
Goodwill	9	3,128.0	3,069.5
Property, plant and equipment net	11	8,855.2	6,487.9
Available-for-sale securities	13	517.7	447.8
Loans and receivables carried at amortized cost	13	611.9	400.3
Derivative financial instruments	13	171.2	44.8
Investments in associates		443.3	322.9
Other assets		106.8	121.3
Deferred tax assets	7	782.1	552.9
TOTAL NON-CURRENT ASSETS		**18,395.0**	**13,683.2**
CURRENT ASSETS			
Loans and receivables carried at amortized cost	13	194.3	204.6
Derivative financial instruments	13	9.2	11.7
Trade and other receivables	13	3,871.8	3,550.2
Inventories		273.1	270.4
Other assets		1,095.8	974.7
Financial assets measured at fair value through income	13	264.7	1,141.1
Cash and cash equivalents	13	1,826.5	2,711.7
TOTAL CURRENT ASSETS		**7,535.4**	**8,864.4**
TOTAL ASSETS		**25,930.4**	**22,547.6**
Shareholders' equity, Group share		4,772.6	3,675.9
Non-controlling interests		1,854.2	742.2
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	15	**6,626.8**	**4,418.1**
NON-CURRENT LIABILITIES			
Provisions	16	1,154.4	1,054.4
Short term borrowings	13	8,287.4	6,400.0
Derivative financial instruments	13	108.6	62.5
Other financial liabilities		122.1	100.2
Other liabilities		511.7	535.3
Deferred tax liabilities	7	696.2	287.0
TOTAL NON-CURRENT LIABILITIES		**10,880.4**	**8,439.4**
CURRENT LIABILITIES			
Provisions	16	502.1	334.6
Short term borrowings	13	1,352.7	3,680.2
Derivative financial instruments	13	40.6	57.1
Trade and other payables	13	2,878.7	2,243.1
Other liabilities		3,649.1	3,375.1
TOTAL CURRENT LIABILITIES		**8,423.2**	**9,690.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**25,930.4**	**22,547.6**

Advances and down payments received, amounts collected for third parties and certain other items which previously had been shown as "Trade and other payables" are now classified as "Other liabilities" in the December 31, 2010 statement of financial position.
Similarly, under assets in the statement of financial position, advances and down payments made have been reclassified from "Trade and other receivables" to "Other assets".
The 2009 comparative data has been restated to ensure the presentation is consistent.

NB: The values in the tables are generally expressed in millions of euros. Rounding may in some cases produce a non-material discrepancy in totals or variances.

CONSOLIDATED INCOME STATEMENTS

in € millions	Note	**December 31, 2010**	**December 31, 2009**
Revenues		13,869.3	12,296.4
Purchases		(3,572.9)	(2,886.4)
Personnel costs		(3,290.8)	(3,145.7)
Depreciation, amortization and provisions		(1,026.8)	(851.4)
Other operating income and expenses		(4,954.0)	(4,486.9)
CURRENT OPERATING INCOME	4	**1,024.8**	**926.0**
Mark-to-market on operating financial instruments		1.0	2.2
Impairment on property, plant and equipment, intangible and financial assets		(85.2)	(85.3)
Restructuring costs		(82.8)	(60.0)
Scope effects (a)		366.4	65.1
Other gains and losses on disposals and non-recurring items (a)		(2.9)	19.1
INCOME FROM OPERATING ACTIVITIES	5	**1,221.3**	**867.1**
Financial expenses (b)		(508.2)	(394.7)
Financial income (b)		94.6	134.7
Net financial loss	6	**(413.6)**	**(260.0)**
Income tax expense	7	(119.0)	(128.8)
Share in net income of associates		31.4	37.6
NET INCOME		**720.1**	**515.9**
of which:			
Group share		564.7	403.0
non-controlling interests		155.4	112.9
Consolidated net income (Group share) per share (in €)	8	**1.15**	**0.82**

(a) The 2009 comparative information has been restated to take into account the impact of IFRS 3 Revised on the presentation of amounts between current operating income and income from operating activities.

(b) The expected return on plan assets shown in "unwinding of discounting adjustments to provisions" has been reclassified as "other financial income". The 2009 data has been restated to ensure that the data is comparable across both periods.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in € millions	Note	December 31, 2010		December 31, 2009
NET INCOME		**720.1**		**515.9**
Available-for-sale securities	13	6.6		(45.3)
Net investment hedges		(65.6)		6.5
Cash-flow hedges (excluding commodities)	14	(6.4)		(10.8)
Commodity cash-flow hedges	14	15.5		38.8
Actuarial gains and losses		(1.6)		(0.9)
Translation adjustments		172.6	(a)	27.2
Deferred taxes	7	14.6		25.3
Share in comprehensive net income of associates		20.9		(0.3)
Total income and expenses recognized directly in equity		**156.6**		**40.5**
COMPREHENSIVE INCOME		**876.7**		**556.4**
of which:				
Group share		690.9		395.0
non-controlling interests		185.8		161.4

(a) This change is the result of an upward movement in the exchange rates for certain currencies: the US dollar, the pound sterling and the Australian dollar.

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

in € millions	Number of shares	Share capital	Premiums	Consolidated reserves (*)	Change in fair value and other (**)	Translation adjustments (**)	Treasury Shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non-controlling interests	TOTAL
Shareholders' equity at December 31, 2008	**489,699,060**	**1,958.8**	**4,198.8**	**(2,468.6)**	**(7.1)**	**(132.4)**	**(17.1)**	**0.0**	**3,532.4**	**637.6**	**4,170.0**
Net income				403.0					403.0	112.9	515.9
Available-for-sale securities					*(44.4)*				*(44.4)*	*(0.9)*	*(45.3)*
Net investment hedges					*5.8*				*5.8*	*0.9*	*6.7*
Cash flow hedges (excluding commodities)					*(20.4)*				*(20.4)*	*(3.7)*	*(24.1)*
Commodity cash flow hedges					*35.4*				*35.4*	*3.4*	*38.8*
Deferred taxes					*29.1*				*29.1*	*(0.4)*	*28.7*
Actuarial gains and losses				*(1.5)*					(1.5)	1.0	(0.5)
Translation adjustments						*(12.0)*			*(12.0)*	*48.3*	*36.3*
Other											
Total income and expenses recognized directly in equity				(1.5)	5.5	(12.0)			(8.0)	48.5	40.5
Comprehensive income				**401.5**	**5.5**	**(12.0)**			**395.0**	**161.4**	**556.4**
Employee share issues and share-based payment				51.9					51.9		51.9
Capital increase/ reduction									0.0	11.4	11.4
Dividends and interim dividends distributed				(317.6)					(317.6)	(113.8)	(431.4)
Purchase/sale of treasury shares				3.1			12.4		15.5		15.5
Other changes			(195.9) (a)	194.6 (a)					(1.3)	45.6 (b)	44.3
Shareholders' equity at December 31, 2009	**489,699,060**	**1,958.8**	**4,002.9**	**(2,135.0)**	**(1.7)**	**(144.4)**	**(4.7)**	**0.0**	**3,675.9**	**742.2**	**4,418.1**
Net income				564.7					564.7	155.4	720.1
Available-for-sale securities					*5.5*				*5.5*	*1.1*	*6.6*
Net investment hedges					*(63.3)*				*(63.3)*	*(2.3)*	*(65.6)*
Cash flow hedges (excluding commodities)					*(16.8)*				*(16.8)*	*(0.8)*	*(17.6)*
Commodity cash flow hedges					*17.3*				*17.3*	*(1.8)*	*15.5*
Deferred taxes					*15.6*				*15.6*	*0.8*	*16.4*
Actuarial gains and losses				*2.3*					*2.3*	*0.9*	*3.2*
Translation adjustments						*165.5*			*165.5*	*32.6*	*198.1*
Other									*0.0*		*0.0*
Total income and expenses recognized directly in equity				2.3	(41.7)	165.5			126.1	30.5	156.6
Comprehensive income				**567.0**	**(41.7)**	**165.5**			**690.8**	**185.9**	**876.7**
Employee share issues and share-based payment				36.4					36.4		36.4
Capital increase/ reduction									0.0	3.1	3.1
Dividends and interim dividends distributed				(317.4)					(317.4)	(137.3)	(454.7)
Purchase/sale of treasury shares				(1.5)			(25.5)		(27.0)		(27.0)
Transactions between shareholders				(57.2)					(57.2)	(69.9)	(127.1) (c)
Business combinations				31.1					31.1	1,130.9 (d)	1,162.0
Other changes				(4.8)					(4.8)	(0.7)	(5.5)
Undated deeply subordinated notes issue								744.8	744.8		744.8 (e)
Shareholders' equity at December 31, 2010	**489,699,060**	**1,958.8**	**4,002.9**	**(1,881.4)**	**(43.4)**	**21.1**	**(30.2)**	**744.8**	**4,772.6**	**1,854.2**	**6,626.8**

(*) In accordance with IFRS, actuarial gains and losses are shown in "Consolidated reserves".
(**) Translation reserves linked to changes in fair value are reclassified as translation adjustments.
The presentation of the statement of changes in shareholders' equity at December 31, 2009 has been modified to present comparable data.

(a) The Board of Directors decided to increase the legal reserve by deduction from the contribution premium.
(b) This movement mainly relates to entry of entities into the scope of consolidation.
(c) This movement corresponds to changes linked to acquisitions or disposals not involving a change of control and mainly relates to the Agbar public delisting offer.
(d) This movement mainly relates to the impact of the takeover of Agbar Group (pursuant to IFRS 3 Revised) on non-controlling interests and is reflected in a change in the consolidation method and in the recognition of additional non-controlling interests of 24.8% versus 5.1%. See Note 2 on major transactions.
(e) See Note 2 on major transactions.

On May 20, 2010 the Shareholders' Meeting resolved to distribute a dividend of € 1.30 per share for fiscal year 2009. As an interim dividend of € 0.65 per share had already been paid out on June 3, 2009, SUEZ ENVIRONNEMENT distributed the balance which was € 0.65 per share in May 2010, for a total dividend distribution of € 317.4 million.

CONSOLIDATED STATEMENTS OF CASH FLOWS

in € millions	December 31, 2010	December 31, 2009
Net income	**720.1**	**515.9**
- Share in net income of associates	(31.4)	(37.6)
+ Dividends received from associates	44.3	31.4
- Net depreciation, amortization and provisions	1,045.6	927.1
- Scope effects, other gains and losses on disposals and non-recurring items	(370.7)	(84.2)
- Other items with no cash impact	36.2	55.9
- Income tax expense	119.0	128.8
- Financial income	413.6	260.0
Cash flows from operations before financial income/(expense) and income tax	**1,976.7**	**1,797.3**
+ Tax paid	(355.6)	(114.9)
Change in working capital requirements	**268.5**	**(76.7)**
Cash flows from operating activities	**1,889.6**	**1,605.7**
Investments in property, plant and equipment and intangible assets	(1,346.0)	(1,083.2)
Takeover of subsidiaries net of cash and cash equivalents acquired (a)	(468.0)	(158.3)
Acquisition of interests in associates and joint-ventures (a)	(22.5)	(47.7)
Acquisitions of available-for-sale securities	(96.5)	(124.4)
Disposals of property, plant and equipment and intangible assets	64.6	16.9
Loss of control of subsidiaries net of cash and cash equivalents sold (a)	443.5	(3.6)
Disposals of interests in associates and joint-ventures (a)	121.9	11.8
Disposals of available-for-sale securities	2.4	326.7
Interest received on non-current financial assets	(9.4)	3.8
Dividends received on non-current financial assets	24.4	39.8
Change in loans and receivables issued by the Company and others	(29.4)	(6.1)
Cash flows from investing activities	**(1,315.0)**	**(1,024.3)**
Dividends paid (c)	(456.8)	(431.4)
Repayment of borrowings	(3,949.6)	(1,911.8)
Reduction in capital paid to non-controlling interests (b)	(141.7)	0.0
Change in financial assets at fair value through income	916.5	(1,084.4)
Financial interest paid	(378.3)	(217.9)
Financial interest received on cash and cash equivalents	10.2	21.9
Increase in financial debt	1,818.9	4,052.9
Increase in share capital	4.3	12.9
Undated deeply Subordinated Notes issued by Suez Environnement Company net of costs	742.1	-
Purchase/sale of treasury shares	(41.1)	15.5
Change in share of interests in controlled entities (a)	(1.1)	0.0
Cash flows from financing activities	**(1,476.6)**	**457.7**
Impacts of changes in exchange rates and other	16.8	4.1
TOTAL CASH FLOWS FOR THE PERIOD	**(885.2)**	**1,043.2**
OPENING CASH AND CASH EQUIVALENTS	**2,711.7**	**1,668.5**
CLOSING CASH AND CASH EQUIVALENTS	**1,826.5**	**2,711.7**

(a) Pursuant to IAS 27 Revised, cash flows linked to "changes in the share of interests in controlled entities" must now be shown in "Cash flows from financing activities" in the statements of cash flows. In this context, the Group reviewed the recognition of acquisitions and disposals of entities in the cash flow statements. Until December 31, 2009 the lines "acquisition of entities net of cash and cash equivalents acquired" and "disposals of entities net of cash and cash equivalents sold" incorporated the effects of cash and cash equivalents linked to the acquisition / disposal of controlled entities and entities in which the Group shared control, the acquisition/disposal of associates and the change in share of interest in entities controlled or the entities in which the Group shared control.

From January 1, 2010, changes in share of interest in entities controlled are recognized in the line "changes in share of interest in controlled entities" under "Cash flows from financing activities". The acquisition/disposal of associates and joint ventures are recognized separate from the cash flows linked to the acquisition/disposal of controlled entities.
The cash flows linked to the takeover or loss of control of subsidiaries are recognized in the lines "Takeover of subsidiaries net of cash and cash equivalents acquired " and "Loss of control of subsidiaries net of cash and cash equivalents sold" respectively. The comparative information for the fiscal year 2009 has been restated so that the cash flows involved are presented in the new format.

(b) This mainly relates to Agbar's purchase of its own shares as part of the public delisting offer (see Note 2).
(c) including withholding tax.

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NOTE 1 – BASIS OF PRESENTATION, PRINCIPLES AND ACCOUNTING POLICIES

1.1 BASIS OF PRESENTATION

SUEZ ENVIRONNEMENT COMPANY SA., the parent company of the Group, is a French *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 incorporated in November 2000. The Group's headquarter is in the CB21 tower - 16 place de l'Iris - 92040 Paris La Défense – France.

The Group is a major international player in the water and waste industries. It came about as the result of the SUEZ Group's 2008 regrouping of all its subsidiaries and holdings in the environment sector, within SUEZ ENVIRONNEMENT COMPANY, as part of the merger between Gaz de France and SUEZ. SUEZ ENVIRONNEMENT COMPANY has been listed on the Euronext Paris market (Compartiment A) and Euronext Brussels market 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* – applicable at the time of the operation, and have been recognized using the "pooling of interests" method at their carrying value in the consolidated financial statements. IFRS 3 Revised (see Section 1.5.3 – Business Combinations and Changes in Ownership Interests) effective January 1, 2010, does not apply to business combinations under common control and does not have retroactive effect.

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 Section 10 of the standard - *Selection and application of accounting policies*.

On this basis, the Group's consolidated financial statements at December 31, 2010, with their comparison for 2009, were presented according to the "pooling of interests" method.

On February 8, 2011, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY approved and authorized the publication of the Group's consolidated financial statements for the fiscal year ended December 31, 2010.

1.2 ACCOUNTING STANDARDS

Pursuant to European Commission Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, the financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ ENVIRONNEMENT COMPANY has been provided for the last two fiscal years ended December 31, 2009 and 2010, and were prepared in accordance with European Regulation (EC) 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, 2010 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union[1].

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

The accounting standards applied in preparing the financial statements at December 31, 2010 are consistent with those applied in preparing the financial statements of December 31, 2009, with the exception of the items mentioned in Section 1.2.1 and 1.2.2 below.

1.2.1 Mandatory IFRS standards, amendments and IFRIC interpretations applicable to the 2010 annual financial statements

- IFRS 3 Revised – *Business combinations* – which applies to controlling interests (within the meaning of IAS 27 Revised) effective January 1, 2010, and IAS 27 Revised – *Consolidated and separate financial statements.*
  The main changes introduced are described in Section 1.5.3 below.

- Improvements to IFRS 2009 – *Annual improvements to IFRS*

- Amendment to IAS 39 – *Eligible hedged items*

- Amendment to IFRS 2 – *Group cash-settled share-based payment transactions*

- Amendment to IFRS 5 (Improvements to IFRS 2008) – *Classification of non-current assets (or disposal groups) held for sale*

- IFRIC 17 – *Distribution of non-cash assets to owners*

With the exception of IFRS 3 Revised and IAS 27 Revised, these amendments and interpretations had no material impact on the Group's Financial Statements at December 31, 2010.

For the record, the Group decided to apply in advance IFRIC 12 (Service concession arrangements) in 2006, and IFRIC 15 (Agreements for the construction of real estate), IFRIC 16 (Hedges of a net investment in a foreign operation) and IFRIC 18 (Transfers of assets from customers) in 2009.

1.2.2 IFRS standards, amendments and IFRIC interpretations that are mandatory after 2010 and that have not been adopted early by the SUEZ ENVIRONNEMENT COMPANY Group

- IFRS 9 – *Financial Instruments – Classification and measurement*
- IAS 24 Revised – *Related party disclosures*
- Amendment to IAS 32 – *Classification of rights issues*
- Amendment to IFRS 7 – *Disclosures – Transfers of financial assets*[2]
- IFRIC 19 – *Extinguishing financial liabilities with equity instruments*
- Amendment to IFRIC 14 – *Prepayments of a minimum funding requirement*
- Improvements to IFRS 2010 – *Annual improvements to IFRS*[2]

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

[2] *As these standards and interpretations have not yet been adopted by the European Union their exact terminology may change.*

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

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 fair value of assets acquired and liabilities assumed in a business combination.
- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see Section 1.5.4.1 and 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),
- 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 Measurement of the fair value of assets acquired and liabilities assumed in a business combination

The fair value of the assets acquired and liabilities assumed is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows as well as the discount rate to apply. The values used reflect management’s best estimates.

1.4.1.2 Recoverable amount of goodwill, property, plant and equipment and intangible assets

The recoverable amount of goodwill, intangible assets and property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets and the discount rate to apply. 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.

1.4.1.3 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.

1.4.1.4 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.

1.4.1.5 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.

1.4.1.6 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.

1.4.1.7 Revenues

Revenues generated from customers whose consumption is metered during the accounting period are estimated at the statement of financial position date based on historical 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.

1.4.1.8 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 non-controlling interests[3] prior to January 1, 2010.

[3] Formerly 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 consolidated statement of financial position. For most of the Group's activities, the breakdown into current and non-current items is based on when assets are expected to be realized, or liabilities extinguished. Assets expected to be realized or liabilities extinguished within 12 months of the closing 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 of 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 intercompany 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, 2010 and 2009.

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 positions is translated into euros at year-end exchange rates. Income statement and statement of cash flow 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.

1.5.3 Business combinations and changes in ownership interests

Business combinations accomplished before January 1, 2010 have been recognized in accordance with IFRS 3 prior to the revision effective January 1, 2010. In accordance with IFRS 3 Revised, these business combinations have not been restated.

The Group applies the purchase method as defined in IFRS 3 Revised, which consists of recognizing at the acquisition date the identifiable assets acquired and liabilities assumed at their fair values, including any non-controlling interests[3] in the acquired company.

IFRS 3 Revised and IAS 27 Revised alter the Group accounting policies applicable to business combinations occurring after January 1, 2010.

The main changes impacting the Group's consolidated Financial Statements are as follows:

- Recognition in expenses of direct costs linked to an acquisition conferring control;
- In the event of a business combination achieved in stages, previously held equity interests are remeasured at acquisition-date fair value, and the resulting gain or loss, if any, is recognized in profit or loss;
- For each business combination, the acquirer must measure all non-controlling interests[4] in the acquired company either at fair value or at the proportionate share of the acquiree's identifiable net assets. Previously, only the latter option was permitted. The Group will decide on a case by case basis which option it will apply to recognize such non-controlling interests[3];
- Transactions (purchases or sales) of non-controlling interests[3] and which do not involve a change of control are recognized as equity transactions. Consequently, any variance

[3] Formerly Minority Interests.

between the fair value of the consideration paid or received and the carrying amount corresponding to the non-controlling interests is recognized directly in equity;

- In accordance with IAS 7 Revised following the revision of IAS 27, the comparative statements of cash flows have been restated.

The changes introduced by these new standards have led the Group to create a line in the income statement entitled "Scope Effects" which is shown as a non-current item under Income from Operating Activities. The following impacts are recognized on this line:

- Costs related to acquisitions of controlling interests;
- In the event of a business combination achieved in stage , impacts of remeasurement of previously held equity interests at acquisition-date fair value;
- Subsequent changes in the fair value of contingent consideration;
- Gains or losses from disposals of investments which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests.

The Group has 12 months, as from the acquisition date, to 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

The application of IFRS 3 Revised on January 1, 2010 requires the Group to identify business combinations carried out before or after that date.

Business combinations carried out before January 1, 2010

Goodwill represents the excess of the cost of a business combination (acquisition price of shares plus any costs directly attributable to the business combination) 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.

Events/transactions after January 1, 2010 relating to business combinations carried out before January 1, 2010.

The initial accounting for business combinations is not restated.

Any adjustments to the consideration transferred resulting from such business combinations modify their initial accounting and lead to a matching adjustment to goodwill.

However, certain new provisions introduced by IFRS 3 Revised and IAS 27 Revised also apply to business combinations carried out before January 1, 2010. These involve, in particular, changes to the

percentage of interest held in a subsidiary and the loss of control of a subsidiary occurring after January 1, 2010, which are recognized in accordance with the newly applicable provisions.

Business combinations carry out after January 1, 2010

Goodwill is measured as being the amount by which the total of

i. the consideration transferred,
ii. the amount of any non-controlling interest in the acquired company, and
iii. in a business combination achieved in stages, the fair value at acquisition-date of the previously held interests in the acquired company;

exceeds the net balance of identifiable assets acquired and liabilities assumed.

The value of goodwill recognized at takeover is no longer subsequently adjusted.

Goodwill relating to associates 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 associates 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.

- exclusive rights to distribute drinking water in a defined geographic area in perpetuity.

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).

	Useful life	
	Minimum	Maximum
Concession rights	10	50
Customer portfolios	10	25
Other intangible assets	1	40

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

1.5.5 Property, plant and equipment

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

Items of property, plant and equipment are recognized at 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 statement of financial position at the lower of market value and the present value of the related minimum lease payments. The corresponding liability is recognized under 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 70
Transport equipment	3 to 14

**: including fittings*

With respect to the assets accounted for as counterpart for the site restoration provisions, they are amortized according to the method set forth in Section 4 of Note 16.

1.5.6 Concessions arrangements

SIC 29 interpretation – Services Concession agreements-Disclosures – relates to concession contracts that should be disclosed in the Notes to the financial statements, while IFRIC 12 relates to the accounting treatment 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 for the defined useful lives when there are indications of an alteration in their value. In general, this arises as a result of significant changes in the operational environment of the assets or from a poorer than expected economic performance.

The main indications of impairment used by the Group are:

- external sources of information
  - Significant changes in the economic, technological, political 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 or intangible assets are tested for impairment at the level of the individual asset or cash-generating unit as appropriate, determined in accordance with IAS 36. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment loss. Upon recognition of an impairment loss, the depreciable amount - and possibly the useful life - of the assets concerned is revised.

Impairment losses recorded in relation to property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. The increased carrying amount of an 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 lease transfers ownership of the asset to the lessee by the end of the lease term; (ii) the lessee has an option to purchase the asset and if so, the conditions applicable to exercising that option; (iii) the lease term covers the major part of the estimated economic life of the asset; and (iv) the asset is of a highly specialized nature. A comparison is also made between the present value of the minimum lease payments and the fair value of the asset concerned.

1.5.8.1 Accounting for finance leases

On initial recognition, assets held under finance leases are recorded as property, plant and equipment and the related liability is recognized under borrowings. At inception of the lease, finance leases are recorded at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

1.5.8.2 Accounting for operating leases

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

1.5.8.3 Accounting for arrangements that contain a lease

IFRIC 4 deals with the identification of services and take-or-pay sales or purchase contracts that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. In the latter case, a finance receivable 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. Financial assets are broken down into current and non-current assets in the statement of financial position.

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 by using a weighted average cost formula.

On initial recognition, they are measured at fair value which generally corresponds to the acquisition cost plus transaction costs.

At each statement of financial position date, available-for-sale securities are measured at fair value. For listed companies, fair value is determined based on the quoted market price at the closing date. Unlisted securities are measured using valuation models based primarily on the most recent market transactions, discounted dividends or cash flow and net asset value. 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 as well as trade and other receivables.

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

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery.

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, 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 non-controlling interests granted before January 1, 2010

Other financial liabilities primarily include put options on non-controlling interests granted by the Group. 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 non-controlling interests. When the value of the put option is greater than the carrying amount of the non-controlling interests, the difference is recognized as goodwill.

- at each statement of financial position date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill,

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

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

1.5.10.3 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.

Embedded derivatives

An embedded derivative is a component of an agreement known as a host contract, which meets the definition of a derivative instrument and whose economic characteristics are not closely related to those of its host contract.

At Group level, the main contracts likely to contain embedded derivatives are those containing clauses or options that can affect the price, volume or maturity of the contract. In particular, these are contracts to buy or sell non-financial assets whose price may be adjusted in accordance with fluctuations of an index, foreign currency prices, or the price of an asset other than the asset underlying the contract.

Embedded derivatives are separately recognized in the following cases:

- if the host contract is not a financial instrument already recognized at fair value with any fair value adjustment shown in income;

- if when separated from the host contract, the component still meets the definition of a derivative product (existence of an underlying instrument, absence of initial and future settlement);

- if the characteristics of the identified derivative are not closely related to those of the host contract. The determination of "closely related" is carried out on the date that the contract is signed.

When an embedded derivative is separated from its host contract, it is recognized at fair value in the statement of financial position and variations in fair value are recognized in income (if the embedded derivative is not documented in a hedge relationship).

Derivative 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 in Other Comprehensive Income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in shareholders' equity are reclassified to the income statement, under the same caption as the loss or gain on the hedged item - i.e. current operating income for operating cash flows and financial income/expense for other cash flows - in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective, the cumulative gain or loss on the hedging instrument remains separately recognized in shareholders' equity until the forecast transaction occurs. However, if a forecast transaction is no longer probable, the cumulative gain or loss on the hedging instrument is recognized in income.

Hedge of a net investment in a foreign operation

In the same way as for a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge of the currency risk is recognized directly in 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 counterparts are considered eligible for hedge accounting.

Hedge effectiveness is assessed and documented at the inception of the hedging relationship and on an ongoing basis throughout the periods for which the hedge was designated. Hedges are considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item are offset within a range of 80%-125%.

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in the fair value or cash flows between the hedging

instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used 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 on commodity contracts other than trading instruments", in current operating income for derivative instruments with non-financial assets as the underlying, and in financial income or expenses for currency, interest rate and equity derivatives.

Measurement of fair value

The fair value of listed instruments 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 exchange contracts and currency swaps is calculated based on current prices for contracts with similar maturity profiles by discounting the differential of future cash flows (the difference between the forward price of the contract and the recalculated forward price based on new market conditions applied to the nominal amount);
- the fair value of currency or 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 at 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 external 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 instruments. The cost is expensed over the vesting period of the rights and offset against equity.
For performance shares that are allotted on a discretionary basis and include external performance conditions, a Monte Carlo model is used.

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 the value of this discount awarded to employees and non-transferability period applicable to the share subscribed. As it is treated as a service rendered, 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.

Actuarial gains and losses are recognized in Other Comprehensive Income. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

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

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

1.5.15.2 Other provisions

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

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

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The Group's main long-term provisions are provisions for 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

Revenues arising from waste collection are generally based on the tonnage collected and the service provided by the operator.

Revenues from other forms of treatment (principally sorting and incineration) are recognized based on volumes processed by the operator and the incidental revenues generated by recycling and reuse, such as the sale of paper, cardboard, glass, metals and plastics for sorting centers, and the sale of electricity and heat for incinerators.

1.5.16.3 Revenues from Engineering, construction contracts and services rendered

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. For the Group, these elements relate to the mark-to-market (MTM) value of trading instruments, asset impairments, restructuring costs, scope effects, other gains and losses on disposals, and non-recurring items. They are defined as follows:

- MTM of trading instruments: This corresponds to changes in the fair value (mark-to-market) of financial instruments relating to commodities and gas which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions.

- Impairment: This includes impairment losses on non-current assets;

- Restructuring costs: These relate to costs of 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,

- Scope effects: This line is explained in detail in Section 1.5.3 of this Note;

- Other gains and losses on disposals and non-recurring items: This includes mainly capital gains and losses on disposals of non-current assets and available-for-sale securities.

1.5.18 Statement of cash flows

The Group statement of cash flows 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.

Impairment losses on current assets are identified as definitive losses, and therefore any change in current assets is shown net of impairment.

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 book values of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the balance sheet date. However, under the provisions of IAS 12, no deferred taxes are recognized for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or 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 Completion of the friendly takeover of Aguas de Barcelona

The process by which SUEZ ENVIRONNEMENT took control of the water and environmental activities of Aguas de Barcelona (Agbar) announced on October 22, 2009 was completed June 8, 2010. SUEZ ENVIRONNEMENT now holds 75.23% of this company, which is fully consolidated in the consolidated financial statements since the takeover. Criteria CaixaCorp (Criteria), the Group's historical partner in Agbar, retains a 24.10% holding. The remaining 0.67% is owned by shareholders who neither offered their shares in Agbar's delisting offer launched between May 10 and 24, 2010 (a €273 million investment) nor have sold their shares to Agbar since.

Following Agbar's sale of its entire stake in health insurer Adeslas to Criteria for €687 million and concomitantly, Criteria's sale to the Group of part of its holdings in Agbar for €666 million last June 8, Criteria and SUEZ ENVIRONNEMENT signed a new shareholders' agreement which replaces the previous one signed July 18, 2006.

This major transaction for the SUEZ ENVIRONNEMENT Group is accounted for in the December 31, 2010 consolidated financial statements in accordance with the provisions of IFRS 3 Revised relating to business combinations. The fair value of the cash consideration transferred to take control of Agbar amounted to €666 million (€20 per share). At the same time the Group remeasured at fair value as of acquisition date, (€20 per share), the interests it previously owned, in the total amount of €1,374 million. The consequences of the takeover on the consolidated income statement appear under the heading "Scope Effects" under income from operating activities (see Note 5.4 - Scope effects) for an amount of €167 million.

Due to the residual holdings of Criteria and private individuals, the Group decided to measure the non-controlling interest at the proportionate share of the Agbar Group's identifiable net assets.

As of December 31, 2010 the accounting treatment for the business combination was final.

The table below shows the fair value of identifiable assets acquired and liabilities assumed at the transaction date:

(in millions of euros)

NON-CURRENT ASSETS	
Net intangible assets	1,569
Property, plant and equipment net	3,331
Other assets	503
Deferred tax assets	258
CURRENT ASSETS	
Other assets	789
Cash and cash equivalents	1,105
NON-CURRENT LIABILITIES	
Other liabilities	2,596
Deferred tax liabilities	470
CURRENT LIABILITIES	
Other liabilities	1,258
TOTAL NET ASSETS (100%)	3,231

Consideration transferred for the acquisition of 24.5% of Agbar	666
Remeasured previously owned interests	1,374
Non-controlling interests	1,585
GOODWILL	**394**

This goodwill of €394 million mainly consists of market shares, international growth potential, as well as synergies with the Group.

Service concession arrangements in Spain classified as intangible assets in accordance with IFRIC 12 (which exclude the Barcelona contract) have been measured using the discounted cash flow (DCF) method taking into account the most likely hypothesis for one renewal. This remeasurement is recognized within intangible assets and will be amortized using the straight line method over the term of the contract (including the renewal period). The contracts of Barcelona, Aguas Andinas in Chile, and Bristol Water in the United Kingdom, which have an indefinite term, have also been measured using the DCF method. A remeasurement of intangible assets has therefore been recognized. Additionally, taking into account local regulations, the property, plant and equipment assets under the Chilean contracts have been remeasured in accordance with IAS 16 – Property, plant and equipment. For concession arrangements operated by entities over which Agbar exercises significant influence, intangible assets have been remeasured using the method indicated above. In addition the fair value of Torre Agbar, which houses Agbar's head office, was appraised by an expert.

The additional annual depreciation linked to these various remeasurements will impact the net income Group share by approximately -€2 million (-€1 million in 2010).

Taking this transaction into account, Agbar's contribution to the Group's consolidated revenues amounts to €1,931 million.

Had this transaction taken place on January 1, 2010, the additional impact on the Group’s consolidated revenues would have been +€50 million.

2.2 Completion of the unwinding of jointly owned subsidiaries with Veolia Environnement in the water sector

On March 23, 2010, following consultations with staff representative bodies of the companies involved and the approval of the European competition authorities, SUEZ ENVIRONNEMENT and Veolia Environnement announced the unwinding of all their joint investments in water management companies in France. These companies were proportionately consolidated in the Groups’ financial statements.

At the end of this process, launched on December 19, 2008, SUEZ ENVIRONNEMENT through its subsidiary Lyonnaise des Eaux fully owns the following eight companies:

- Société d’Exploitation du Réseau d’Assainissement de Marseille (SERAM);
- Société Provençale des Eaux (SPE);
- Société des Eaux du Nord (SEN) and its subsidiaries;
- Société des Eaux de Versailles et de Saint Cloud (SEVESC) and its subsidiaries;
- Société Martiniquaise des Eaux (SME);
- Société Guyanaise des Eaux (SGDE);
- Société Stéphanoise des Eaux (SSE);
- Société Nancéienne des Eaux (SNE).

At the same time, Lyonnaise des Eaux transferred to Veolia-Eau its holdings in Société des Eaux de Marseille and in Société des Eaux d'Arles, generating a consolidated capital gain of €81 million (see Note 5.4 - Scope effects).

This transaction is accounted for in the December 31, 2010 consolidated financial statements in accordance with the provisions of IFRS 3 Revised relating to business combinations. The Group therefore has remeasured at fair value as of acquisition date the interests previously owned by Lyonnaise des Eaux in the companies in which the Group has taken control, in the total amount of €148 million. The consequences on the consolidated income statement are shown under the heading "Scope effects" under income from operating activities (see Note 5.4 - Scope effects) in the amount of €119 million.

As of December 31, 2010 the accounting treatment of the business combination was final.

The table below shows the fair value of identifiable assets acquired and liabilities assumed at the transaction date:

In millions of euros

NON-CURRENT ASSETS	
Net intangible assets	265
Property, plant and equipment net	72
Other assets	1
Deferred tax assets	16
CURRENT ASSETS	
Other assets	16
Cash and cash equivalents	30
NON-CURRENT LIABILITIES	
Other liabilities	182
Deferred tax liabilities	61
CURRENT LIABILITIES	
Other liabilities	81
TOTAL NET ASSETS (100%)	76
Consideration transferred	131
Remeasured previously owned interests	148
GOODWILL	**203**

This goodwill of €203 million mainly represents a market share as well as synergies with the Group.

The intangible assets for each concession arrangement have been measured using the discounted cash flow (DCF) method and taking into account the most likely hypothesis for one renewal. This remeasurement will then be depreciated using the straight line method over the total term of the contracts including a renewal period, if any. The impact of this additional depreciation on net income Group share is approximately -€5 million. The estimate of provisions has been prepared in accordance with IFRS 3 Revised relating to recognition of provisions for any contingent liability arising from litigation in progress at the transaction date (see Note 26 – Legal and arbitration proceedings). Deferred tax positions have been adjusted in line with the allocation of fair values.

Residual goodwill is wholly allocated to the Lyonnaise des Eaux cash generating unit (CGU) (see Note 9 - Goodwill).

The additional impact on the Group's consolidated revenues since the effective date of this transaction was +€10 million in 2010.

2.3 Completion of the business combination related to the takeover in 2009 of SITA Waste Services (Hong Kong)

In 2009 SUEZ ENVIRONNEMENT took exclusive control of Swire-SITA which it previously owned 50% of. This acquisition was completed before January 1, 2010 and is hence accounted for in accordance with non-revised IFRS 3.

Being accounted for in accordance with non-revised IFRS 3, the carrying value of Swire-SITA (now SITA Waste Services) was adjusted in line with the remeasurement of identifiable assets acquired and liabilities assumed.

The table below shows the fair value at the transaction date of identifiable assets acquired and liabilities assumed:

In millions of euros

NON-CURRENT ASSETS	
Net intangible assets	131
Property, plant and equipment net	30
Other assets	3
CURRENT ASSETS	
Other assets	22
Cash and cash equivalents	39
NON-CURRENT LIABILITIES	
Other liabilities	10
Deferred tax liabilities	25
CURRENT LIABILITIES	
Other liabilities	80
TOTAL NET ASSETS (100%)	110
SHARE OF ACQUIRED NET ASSETS (50%)	55
Consideration transferred	172
Non-controlling interests	5
GOODWILL GENERATED BY THIS TAKEOVER*	**122**

* as of acquisition date

This new goodwill has been added to the historical goodwill. Based on the Hong Kong dollar exchange rate on December 31, 2010, total goodwill was €177 million.

Intangible assets corresponding to contracts with the government of Hong Kong have been remeasured at fair value, in particular the contracts for operating transfer stations and landfills.

The additional depreciation impacted 2010 net income Group share by approximately -€10 million euros (impact calculated as from the takeover date of July 1, 2009).

2.4 Acquisition of WSN Environmental Solutions (Australia)

On December 15, 2010 SUEZ ENVIRONNEMENT, through its 60% subsidiary SITA Environmental Solutions (SITA Australia), purchased from the government of New South Wales, WSN Environmental Solutions (WSN), a company active in waste management, for €174 million. This acquisition supplements SITA Australia's recycling and treatment capacity. The transaction will be finalized in the first quarter of 2011.

2.5 Increase of the stake in ACEA

Over the course of the year SUEZ ENVIRONNEMENT has increased its stake in the listed Italian group ACEA over the 6% capital threshold. ACEA is 51% controlled by the City of Rome and is a water and electricity operator.

2.6 Successful IPO for Chongqing Water Group

In late March 2010, following a capital increase, the shares of Chongqing Water Group (CWG) were listed on the Shanghai stock market. SUEZ ENVIRONNEMENT, through its subsidiary Suyu (held at 50%) did not take part in the transaction, and thus saw its interest diluted. Suyu's stake in CWG therefore declined from 15% to 13.4%.

2.7 Bond issue

On June 24, 2010, as part of the EMTN program set up in March 2009, SUEZ ENVIRONNEMENT COMPANY issued a €500 million tranche maturing June 24, 2022 and bearing a coupon of 4.125% (see Note 13.3 - Net debt).

2.8 Undated Deeply Subordinated Note issue

On September 17, 2010, SUEZ ENVIRONNEMENT COMPANY issued an undated deeply subordinated note for a total amount of €750 million. Due to its characteristics and in accordance with IAS 32, this "hybrid" issue constitutes an equity instrument and not a debt in the issuer's consolidated financial statements. In fact, there is no direct or indirect obligation to pay interest (unless a dividend is distributed), nor does the issuer have any obligation to reimburse the nominal amount (see Note 13.3 - Net debt, and Note 15 - Equity).

2.9 LINK 2010 Plan

Taking into account the shareholder relationships between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, the Group's employees had the option to subscribe in August 2010 to a new GDF SUEZ global employee share purchase plan called "LINK 2010" (see Note 23 – Share-based payments).

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 Management Committee, comprised of the Group's key operational decision-makers.

The Group uses four operating segments:

- Water Europe
- Waste Europe
- International
- Other

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 "Other" segment is made up of holding companies, including SUEZ ENVIRONNEMENT COMPANY.

The accounting principles and valuation methods used to prepare internal reporting are the same as those used to prepare the consolidated financial statements.

3.2 KEY INDICATORS BY OPERATING SEGMENT

Revenues

in € millions	December 31, 2010			December 31, 2009		
	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	4,248.3	13.9	4,262.2	3,993.3	13.4	4,006.7
Waste Europe	5,862.7	37.0	5,899.7	5,319.0	39.6	5,358.6
International	3,743.5	38.6	3,782.1	2,968.6	23.3	2,991.9
Other	14.8	62.1	76.9	15.5	42.8	58.3
Intercompany eliminations		(151.5)	(151.5)		(119.1)	(119.1)
Total Revenues	**13,869.3**	**0.0**	**13,869.3**	**12,296.4**	**(0.0)**	**12,296.4**

EBITDA

in € millions	**Dec. 31, 2010**	**Dec. 31, 2009**
Water Europe	1,035.4	865.5
Waste Europe	839.1	797.7
International	557.8	468.3
Other	(92.9)	(71.6)
TOTAL EBITDA	**2,339.4**	**2,059.9**

Current operating income

in € millions	**Dec. 31, 2010**	**Dec. 31, 2009**
Water Europe	484.5	432.7
Waste Europe	348.6	314.1
International	327.3	309.1
Other	(135.6)	(129.9)
TOTAL CURRENT OPERATING INCOME	**1,024.8**	**926.0**

Depreciation and amortization

in € millions	**Dec. 31, 2010**	**Dec. 31, 2009**
Water Europe	(345.6)	(242.1)
Waste Europe	(459.3)	(456.5)
International	(167.4)	(137.4)
Other	(2.8)	(2.1)
TOTAL DEPRECIATION AND AMORTIZATION	**(975.1)**	**(838.1)**

Impairments on property, plant and equipment, intangible and financial assets

in € millions	Dec. 31, 2010	Dec. 31, 2009
Water Europe	(26.9)	(1.6)
Waste Europe	(45.6)	(55.9)
International	(11.8)	(24.4)
Other	(0.9)	(3.4)
TOTAL IMPAIRMENTS	**(85.2)**	**(85.3)**

Capital employed

in € millions	Dec. 31, 2010	Dec. 31, 2009
Water Europe	6,714.3	3,423.8
Waste Europe	4,267.6	4,370.6
International	3,188.7	2,788.3
Other	(26.8)	(51.1)
TOTAL CAPITAL EMPLOYED	**14,143.8**	**10,531.6**

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

in € millions	Dec. 31, 2010	Dec. 31, 2009
Water Europe	(1,112.1)	(394.4)
Waste Europe	(511.4)	(495.4)
International	(273.9)	(256.6)
Other	(36.7)	(267.2)
TOTAL INVESTMENTS	**(1,934.1)**	**(1,413.6)**

3.3 KEY INDICATORS BY GEOGRAPHICAL AREA

The indicators below are analyzed by:

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

in € millions	Revenues		Capital Employed	
	Dec. 31, 2010	**Dec. 31, 2009**	**Dec. 31, 2010**	**Dec. 31, 2009**
France	5,081.6	4,942.6	2,735.2	2,381.2
Europe	5,022.8	4,620.4	8,411.7	5,552.3
International	3,764.9	2,733.4	2,996.9	2,598.1
Total	**13,869.3**	**12,296.4**	**14,143.8**	**10,531.6**

3.4 RECONCILIATION OF EBITDA WITH CURRENT OPERATING INCOME

in € millions	**Dec 31, 2010**	**Dec 31, 2009**
Current Operating Income	1,024.8	926.0
(-) Depreciation, amortization and provisions	1,026.8	851.4
(-) Share-based payments (IFRS 2)	36.2	55.9
(-) Disbursements under concession contracts	251.6	226.6
EBITDA	**2,339.4**	**2,059.9**

3.5 RECONCILIATION OF CAPITAL EMPLOYED WITH THE STATEMENTS OF FINANCIAL POSITION

in € millions	**Dec. 31, 2010**	**Dec. 31, 2009**
(+) Tangible and intangible assets, net (1)	12,634.0	8,723.7
(+) Goodwill, net	3,128.0	3,069.6
(+) Available-for-sale securities (excluding marketable securities)	509.8	445.2
(+) Loans and receivables carried at amortized cost	806.2	605.0
(+) Investments in associates	443.3	322.9
(+) Trade and other receivables	3,871.8	3,550.2
(+) Inventories	273.1	270.4
(+) Other current and non-current assets	1,202.6	1,096.5
(-) Provisions and actuarial losses/gains on pension plans	(1,563.5)	(1,297.6)
(-) Trade and other payables	(2,878.6)	(2,243.1)
(-) Other current and non-current liabilities	(4,160.8)	(3,911.0)
(-) Other financial liabilities	(122.1)	(100.2)
CAPITAL EMPLOYED	**14,143.8**	**10,531.6**

(1) In 2010, the sharp increase in net property, plant and equipment and intangible assets is attributable mainly to scope effects resulting from the takeover of Agbar, the unwinding of the joint investments of Lyonnaise des Eaux France and Veolia-Eau, and the finalization of the opening balance of SITA Waste Services (see Note 2 – Major transactions).

NOTE 4 – CURRENT OPERATING INCOME

in € millions	Dec. 31, 2010	Dec. 31, 2009
Revenues	13,869.3	12,296.4
Purchases	(3,572.9)	(2,886.4)
Personnel costs	(3,290.8)	(3,145.7)
Depreciation, amortization and provisions	(1,026.8)	(851.4)
Other operating income and expenses	(4,954.0)	(4,486.9)
CURRENT OPERATING INCOME	**1,024.8**	**926.0**

4.1 REVENUES

The following table shows Group revenues per category:

in € millions	Dec. 31, 2010	Dec. 31, 2009
Sale, transport and distribution of electricity	442.2	431.2
Water and waste	11,700.4	10,589.3
Engineering and construction contracts and other services	1,726.7	1,275.9
Total	**13,869.3**	**12,296.4**

The increase in "Water and waste" is attributable mainly to the upturn in recycling activities in Waste Europe as well as the impact of the takeover of Agbar (see Note 2).

The increase in "Engineering and construction contracts and other services" revenue is attributable mainly to the construction of the desalination plant in Melbourne.

4.2 PERSONNEL COSTS

in € millions	Dec. 31, 2010	Dec. 31, 2009
Short-term benefits	(3,164.1)	(3,012.5)
Share-based payments	(38.2)	(56.6)
Post-employment benefit obligations and other long-term benefits	(88.5)	(76.6)
Total	**(3,290.8)**	**(3,145.7)**

In 2010, the headings were changed. The 2009 comparative data has been restated to ensure a consistent presentation.

Short-term benefits corresponds to salaries and expenses recognized for the period.

Share-based payments are broken down in Note 23.

Post-employment benefit obligations and other long-term benefits are disclosed in Note 17 and this amount corresponds to defined-benefit plan expenses (see Section 17.3.3) and to defined-contribution plan expenses (see Section 17.4).

4.3 DEPRECIATION, AMORTIZATION AND PROVISIONS

The amounts shown below are net of reversals.

in € millions	Dec. 31, 2010	Dec. 31, 2009
Depreciation and amortization	(975.1)	(838.1)
Depreciation of inventories and trade receivables	(58.2)	(16.0)
Provisions	6.5	2.7
Total	**(1,026.8)**	**(851.4)**

The depreciation breakdown is €761.6 million for property, plant and equipment and €213.5 million for intangible assets. The breakdown by type of asset is shown in Notes 10 and 11.

4.4 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include the following amounts:

in € millions	Dec. 31, 2010	Dec. 31, 2009
Other operating income	**67.1**	**63.1**
Other operating expenses	**(5,021.1)**	**(4,550.0)**
Sub-contracting	(1,681.6)	(1,489.6)
Other expenses	(3,339.5)	(3,060.4)
Total	**(4,954.0)**	**(4,486.9)**

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

NOTE 5 – INCOME FROM OPERATING ACTIVITIES

in € millions	Dec. 31, 2010	Dec. 31, 2009
CURRENT OPERATING INCOME	**1,024.8**	**926.0**
Mark-to-market on operating financial instruments	1.0	2.2
Impairment on property, plant and equipment, intangible and financial assets	(85.2)	(85.3)
Restructuring costs	(82.8)	(60.0)
Scope effects	366.4	65.1
Other gains and losses on disposals and non-recurring items	(2.9)	19.1
INCOME FROM OPERATING ACTIVITIES	**1,221.3**	**867.1**

5.1 MARK-TO-MARKET ON OPERATING FINANCIAL INSTRUMENTS

The mark-to-market on operating financial instruments amounted to a total of €1.0 million at December 31, 2010, 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 the fair value of the forward contracts concerned must be reflected in the income statement;

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

5.2 IMPAIRMENTS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND FINANCIAL ASSETS

(in € millions)		Dec. 31, 2010	Dec. 31, 2009
Impairments:			
Goodwill		(8.0)	(10.5)
Property, plant and equipment and other intangible assets		(61.8)	(61.3)
Financial assets		(29.4)	(32.7)
	Total	**(99.2)**	**(104.5)**
Write-back of impairments:			
Property, plant and equipment and other intangible assets		2.3	14.2
Financial assets		11.7	5.0
	Total	**14.0**	**19.2**
Total		**(85.2)**	**(85.3)**

5.2.1 Impairment of goodwill

No significant impairment on goodwill was recognized in 2010 and 2009, pursuant to the procedure described in Note 9 – Goodwill.

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

Impairment on inventory and trade receivables is shown in Note 4.3 - Depreciation, amortization and provisions.

In 2010 this item mainly shows the consequences on asset values of the problems encountered in the plastics and tires recycling business (Waste Europe) and the problems linked to the persistent underperformance of peripheral activities in the Water Europe segment. This amount also includes the impact of the fire at a sorting center in Germany.

In 2009, impairment of property, plant and equipment and intangible assets related mainly to Degrémont (the Dubai Jumeirah Golf Estates contract) as well as to the Waste Europe segment reflecting the slowdown in activity.

5.2.3 Impairment on financial assets

In 2010 this amount mainly included impairment on Agbar's financial assets in Central America as well as on receivables from international concession contracts where the client had not applied the contracted indexation clauses.

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

5.3 RESTRUCTURING COSTS

In 2010 this item includes mainly the costs relating to the restructuring plan implemented by Agbar and its subsidiaries in the amount of €39.2 million, additional costs for organizational adaptation in the Waste Europe segment, as well as the remainder of the costs relating to the transfer of SUEZ ENVIRONNEMENT's headquarters to La Défense.

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.

5.4 SCOPE EFFECTS

In 2010, in accordance with IFRS 3 Revised, this item includes:

- a €120 million gain on the remeasurement at fair value of €149 million, of interests previously owned by Lyonnaise des Eaux in the eight jointly-held companies it now controls as a result of unwinding the investments in entities jointly-held with Veolia-Eau;
- a €167 million gain on the remeasurement at fair value of €1,374 million, of interests previously owned in Agbar, as a result of its takeover by SUEZ ENVIRONNEMENT.

The two transactions are explained in Note 2 – Major transactions. In both cases, external expenses relating to these transactions are included in this item.

In 2010 the item also includes an amount of €81 milion corresponding to the capital gain from the sale by Lyonnaise des Eaux of Société des Eaux de Marseille and Société des Eaux d'Arles shares to Veolia-Eau as part of the unwinding transaction. See Note 2 – Major transactions.

The 2009 comparative information has been restated to take into account the impact of IFRS 3 Revised on the presentation of amounts between current operating income and income from operating activities. Accordingly, scope effects in 2009 include mainly the sale by SITA UK of its 50% stake in LondonWaste.

5.5 OTHER GAINS/LOSSES ON DISPOSALS AND NON-RECURRING ITEMS

(in € millions)	**Dec. 31, 2010**	**Dec. 31, 2009**
Disposals of property, plant and equipment and intangible assets	5.9	(9.4)
Disposals of shares	(8.8)	28.5
Total	**(2.9)**	**19.1**

In 2010 this item shows only insignificant individual amounts.

In 2009 it included mainly the capital gain on the sale by SUEZ ENVIRONNEMENT Holding BE, a wholly owned subsidiary of SUEZ ENVIRONNEMENT, of its 2.55% stake in the Spanish group Gas Natural.

NOTE 6 – FINANCIAL INCOME

in € millions	December 31, 2010			December 31, 2009		
	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	(402.5)	15.1	(387.4)	(326.7)	41.7	(285.0)
Other financial income and expenses	(105.7)	79.5	(26.2)	(68.0)	93.0	25.0
Financial Income/(Loss)	**(508.2)**	**94.6**	**(413.6)**	**(394.7)**	**134.7**	**(260.0)**

6.1 NET FINANCE COSTS

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

in € millions	Expenses	Income	Total Dec 31, 2010	Total Dec 31, 2009
Interest expense on gross borrowings	(394.9)	-	**(394.9)**	**(323.5)**
Exchange gain/(loss) on borrowings and hedges	(7.6)	-	**(7.6)**	**(4.1)**
Unrealized income/(expense) from economic hedges on borrowings	(2.1)	-	**(2.1)**	**12.4**
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	15.1	**15.1**	**29.3**
Capitalized borrowing costs	2.1	-	**2.1**	**0.9**
Cost of net debt	**(402.5)**	**15.1**	**(387.4)**	**(285.0)**

In 2010, the change in the cost of net debt over the period corresponds partly to costs relating to the 2009 and June 2010 issue by SUEZ ENVIRONNEMENT COMPANY of multiple tranches of bonds as part of the EMTN program in the total amount of €3.5 billion. Additionally, the takeover of Agbar in June 2010 (Agbar being fully consolidated since then) entailed a €47 million increase in net debt expense for the Group.

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.

6.2 OTHER FINANCIAL INCOME AND EXPENSES

in € millions	Dec. 31, 2010	Dec. 31, 2009
Other financial expenses		
Unwinding of discounting adjustments to provisions *(1)*	(79.2)	(57.3)
Interest expense on trade and other payables	(9.3)	(7.0)
Losses on currency exchange	1.6	0.2
Other financial expenses	(18.8)	(3.9)
Total	**(105.7)**	**(68.0)**
Other financial income		
Expected return on plan assets *(1)*	34.5	32.2
Income from available-for-sale securities	16.1	39.8
Interest income on trade and other receivables	9.6	8.4
Interest income on loans and receivables carried at amortized cost	10.0	6.1
Other financial income	9.3	6.5
Total	**79.5**	**93.0**
Total other financial income and expenses	**(26.2)**	**25.0**

(1) The expected return of plan assets shown under “unwinding of discounting adjustments to provisions” has been reclassified as "other financial income”. The 2009 data has been restated to ensure a consistent presentation.

In 2010, the change in “other financial income” relates mainly to a reduction in dividends received by the Group (due to the sale of Gas Natural in the second half of 2009). The change in “other financial expenses” is attributable to the change in the discount rate impacting long-term provisions, and to early debt-repayment penalties, as part of a policy to renegotiate debt terms with lenders.

NOTE 7 – INCOME TAX EXPENSE

7.1 INCOME TAX EXPENSE IN THE INCOME STATEMENT

7.1.1 Breakdown of income tax expense in the income statement

Income tax expense for the fiscal year amounted to €119.0 million (compared to €128.8 million in 2009), and breaks down as follows:

in € millions	**2010**	**2009**
Current income tax	(295.1)	(232.2)
Deferred taxes	176.1	103.4
Total income tax expense recognized in income	**(119.0)**	**(128.8)**

7.1.2 Theoretical income tax expense and actual income tax expense

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

in € millions		**2010**	**2009**
Net income		**720.1**	**515.9**
- Share in net income of associates		31.4	37.6
- Income tax expense		(119.0)	(128.8)
Income before income tax and share in net income of associates(a)		**807.7**	**607.1**
Of which French companies		*87.5*	*(63.9)*
Of which companies outside France		*720.2*	*671.0*
Statutory income tax rate in France(b)		34.43%	34.43%
Theoretical income tax expense (c) = (a) x (b)		**(278.1)**	**(209.0)**
Actual income tax expense:			
Difference between the normal tax rate applicable in France and the normal tax rate applicable in jurisdictions outside France		61.5	45.6
Permanent differences		(15.6)	(5.2)
Income taxed at a reduced rate or tax-exempt	*(1)*	131.5	49.8
Additional tax expense	*(2)*	(32.2)	(75.8)
Effect of unrecognized deferred tax assets on tax-loss carryforwards and on other tax-deductible temporary differences	*(3)*	(41.3)	(27.4)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences		10.3	3.0
Impact of changes in tax rates		3.9	(2.0)
Tax savings and credits	*(4)*	22.3	19.9
Other	*(5)*	18.7	72.3
Actual income tax expense		**(119.0)**	**(128.8)**
Effective tax rate (actual income tax expense divided by income before income tax and share in net income of associates)		**14.7%**	**21.2%**

(1) For 2010, this includes mainly the impact of the non-taxation of capital gains, and of the fair value remeasurement of interests previously owned, on Agbar takeover transaction, and the unwinding of joint investments with Veolia-Eau, as explained in Note 2. In 2009, this item included the impact of tax-free capital gains on disposals of shares in the UK and Belgium.

(2) Includes mainly the French taxation on dividends and the recognition of provisions for tax risk in the amount of €13 million. For 2009, this specifically included the impact of a tax reassessment in Morocco, the posting of provisions for €39.5 million in tax risk, and the French taxation on dividends.

(3) Corresponds mainly to the Group's foreign subsidiaries. The tax consolidation group formed in France fully recognizes the deferred tax assets generated by its tax loss carry-forwards.

(4) Specifically includes the impact of the deduction for risk capital in Belgium, the tax system applicable in the French overseas jurisdictions (DOM), reversals of provisions for tax risk, and tax credits.

(5) In 2009, includes the recognition of €52.7 million deferred taxes not recognized at December 31, 2008 by Group companies included in the tax consolidation group formed in France (see below), as well as a €3.6 million amount for the recognition of deferred tax assets in Belgium pursuant to an order from the European Community Court of Justice dated February 12, 2009 (Cobelfret Order). There are no equivalent impacts in 2010.

The low effective tax rate at December 31, 2010 is due primarily to the impact of non-taxation of capital gains generated by the takeover of Agbar and the unwinding of the joint investments with Veolia-Eau. Excluding these elements from the calculation, the effective tax rate at December 31, 2010 would be 29%.

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 recognized deferred tax assets of €52.7 million for all temporary differences not recognized at December 31, 2008. All net deferred tax assets falling within the scope of French tax consolidation have been recognized since 2009, given the prospect of tax benefits in the medium term.
- 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).

The effective tax rate, when excluding these elements, would have been 33% at December 31, 2009.

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

in € millions	Dec. 31 2010	Dec. 31 2009
Deferred tax assets		
Losses carry-forwards	72.3	56.4
Pension obligations	5.4	3.4
Concessions arrangements	1.1	5.4
Non-deductible provisions	9.3	34.5
Differences between the carrying amount of PPE and their tax bases	(6.9)	0.3
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(25.7)	3.5
Other	51.5	9.6
Total	**107.0**	**113.1**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(10.4)	1.5
Concessions arrangements	1.8	0.3
Tax-driven provisions	0.9	(0.1)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	1.6	(1.7)
Other	75.2	(9.7)
Total	**69.1**	**(9.7)**
Net deferred tax	**176.1**	**103.4**

The amounts shown in the income statement as "other" deferred tax items relate mainly to the various impacts of the sale of Adeslas as part of the Agbar takeover.

7.2 DEFERRED TAX INCOME AND EXPENSE RECOGNIZED IN "OTHER COMPREHENSIVE INCOME"

Deferred tax income and expense recognized in "Other comprehensive income" breaks down as follows:

in € millions	December 31 2010	Change	December 31 2009
Available-for-sale securities	-	(0.1)	0.1
Actuarial gains and losses	30.8	4.8	26.0
Net investment hedges	13.8	14.1	(0.3)
Cash flow hedges	12.3	(4.2)	16.5
Share of associates	10.4	6.6	3.8
TOTAL EXCLUDING TRANSLATION ADJUSTMENTS	**67.3**	**21.2**	**46.1**
Translation adjustments	(15.7)	(15.4)	(0.3)
TOTAL	**51.6**	**5.8**	**45.8**

7.3 DEFERRED TAX IN THE STATEMENT OF FINANCIAL POSITION

7.3.1 Change in deferred taxes

Movements in deferred taxes recorded in the statement of financial position, after netting off the deferred tax assets and liabilities by tax entity, are broken down as follows:

in € millions	Assets	Liabilities	Net balance
At December 31, 2009	**552.9**	**(287.0)**	**265.9**
From income statement	107.0	69.1	176.1
From other comprehensive income	21.9	(0.7)	21.2
Scope effects	126.9	(501.2)	(374.3)
Translation adjustements	31.9	(39.7)	(7.8)
Other impacts	(22.7)	27.5	4.8
Deferred tax netting off by tax entity	(35.8)	35.8	-
At December 31, 2010	**782.1**	**(696.2)**	**85.9**

The item "Scope effect" includes the impacts of the takeover and finalization of the opening balances of Agbar, SITA Waste Services, and the entities of which SUEZ ENVIRONNEMENT took control following the unwinding of the joint investments of Lyonnaise des Eaux and Veolia-Eau.

Essentially, these impacts take into account the deferred tax assets and liabilities generated in the recognition of individual assets acquired and liabilities assumed at fair value on the date of their takeover, in the following amounts:

- Agbar: recognition of €252.7 million additional deferred tax liabilities and a €13.2 million reduction in deferred tax assets, for a net impact of €265.9 million;

- Lyonnaise des Eaux: recognition of €60.8 million deferred tax liabilities and a €9.7 million reduction in deferred tax assets, for a net impact of €70.5 million;

- SITA Waste Services: recognition of €18.1 milliondeferred tax liabilities.

7.3.2 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	Dec. 31 2010	Dec. 31 2009
Deferred tax assets		
Losses carry-forwards	263.7	208.6
Pension obligations	179.0	153.9
Concessions Arrangements	108.4	104.5
Non-deductible provisions	179.5	127.9
Differences between the carrying amount of PPE and their tax bases	105.8	9.0
Measurement of financial assets and liabilities at fair value (IAS 32/39)	21.7	21.5
Other	239.7	207.4
Total	**1,097.8**	**832.8**
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(871.7)	(420.7)
Concessions Arrangements	(13.5)	(24.1)
Tax-driven provisions	(17.5)	(17.3)
Measurement of financial assets and liabilities at fair value (IAS 32/39)	(2.6)	(4.4)
Other	(106.6)	(100.4)
Total	**(1,011.9)**	**(566.9)**
Net deferred tax	**85.9**	**265.9**

The deferred tax amounts shown in "Other differences between the carrying amount of PPE and their tax bases" take into account the effects of the process of recognizing individual assets acquired and liabilities assumed at fair value as part of the takeovers previously described in Note 2 – Major transactions.

7.4. UNRECOGNIZED DEFERRED TAX

7.4.1. Deductible temporary differences not recognized

Temporary differences on losses carried forward:

At December 31, 2010, unused tax losses carried forward and not recorded on the statement of financial position (because they did not meet the criteria for recognition as a deferred tax asset) amounted to €465.0 million for ordinary tax loss carry-forwards (unrecognized deferred tax asset impact of €152.7 million), compared to €417.5 million at December 31, 2009. 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	**Ordinary tax loss carry-forwards**
2011	17.6
2012	1.7
2013	1.7
2014 and beyond	443.9
Total	**465.0**

Other temporary differences not recognized:

The amount of deferred tax assets on other unrecognized temporary differences amounted to €82.3 million at December 31, 2010, compared to €41.5 milion at December 31, 2009.

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 France).

NOTE 8 – EARNINGS PER SHARE

	Dec. 31, 2010	Dec. 31, 2009
Numerator (in € millions)		
Net income, Group share (a)	**558.2**	**403.0**
Denominator (in millions):		
Average number of shares outstanding	**487.1**	**488.7**
Earnings per share (in €)		
Net income Group share per share	**1.15**	**0.82**
Net income Group share per diluted share	**1.15**	**0.82**

(a) With respect to consolidated net income Group share of €564.7 million shown in the consolidated income statement, net income Group share for the 2010 fiscal year has been adjusted to take into account the amount (net of taxes) of €6.5 million corresponding to the coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in September 2010. The dilutive effect of these notes has already been taken into account in net income (Group share) per share.

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)	Gross amount	Impairment losses	Carrying amount
At December 31, 2008	**3,060.1**	**(162.6)**	**2,897.5**
Acquisitions	188.7	-	
Impairment losses	-	(10.5)	
Disposals	(24.3)	1.0	
Translation adjustments	29.9	(20.0)	
Other	7.2	-	
At December 31, 2009	**3,261.6**	**(192.1)**	**3,069.5**
Acquisitions	472.1	-	
Impairment losses	-	(8.0)	
Disposals	-	-	
Translation adjustments	130.9	(15.9)	
Other	(635.9)	115.3	
At December 31, 2010	**3,228.7**	**(100.7)**	**3,128.0**

In 2010, the net change in goodwill is +€58.6 million. This arises mainly from the recognition of new goodwill generated by the takeover of Agbar, the unwinding of the joint investments at Lyonnaise des Eaux and various acquisitions at SITA France, as well as the impact of remeasuring at fair value at the acquisition date the identifiable assets acquired and liabilities assumed related to these various transactions as well as the finalization of these operations on SITA Waste Services of which SUEZ ENVIRONNEMENT took control in 2009 (see Note 2 – Major transactions).

In the end, this change breaks down as follows:

- Agbar: -€237.8 million
- Lyonnaise des Eaux France: +€203.0 million
- SITA Waste Services: -€31.9 million
- SITA France: +€13.6 million

The remainder of the change relates mainly to translation gains and losses and other non-material changes of scope.
Translation gains and losses relate mainly to exchange rate fluctuations in the Australian, U.S. and Hong Kong dollars and the pound sterling.

In 2009, new goodwill was recognized for SITA Waste Services in the amount of €168.6 million as a result of the acquisition of the 50% stake previously not owned by the Group.

9.2 MAIN GOODWILL CASH GENERATING UNITS (CGU)

Goodwill CGU breaks down as follows:

(in € millions)	Operating segment	Dec. 31, 2010	Dec. 31, 2009
Material CGUs			
Agbar	Water Europe	393.5	631.4
SITA France	Waste Europe	528.8	515.2
SITA News (*)	Waste Europe	514.5	514.3
United Water	International	397.1	368.3
SITA UK	Waste Europe	361.3	354.1
Lyonnaise des Eaux	Water Europe	278.2	65.2
SITA Waste Services	International	176.7	208.6
Utility Service Group	International	102.6	93.5
Other CGUs (individual goodwill of less than €100 million)		375.3	319.0
TOTAL		**3,128.0**	**3,069.5**

(*) News: Northern Europe Waste Services. This is a new CGU (see below).

9.3 IMPAIRMENT TEST

All goodwill cash-generating units (CGUs) are tested for impairment. Impairment tests were carried out by reference to the database as of the end of June, the last forecast of the year taking into account the events occurring in the second half of the year, and the medium-term business plan.

The recoverable value of CGU goodwill is calculated by applying various methods, primarily the discounted cash flow (DCF) method. The method of discounting cash flows 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 normalized free cash flow (as defined for impairment tests[5]) in the final year of the projections;

[5] The normalized free cash flow used in impairment tests differs from the free cash flow which can be calculated from the statement of cash flows as follow: no financial interest, use of a normalized tax rate, taking into account all investment flows (maintenance capital expenditures and financial disposals, already committed development capital expenditures and financial acquisitions).

- a discount rate appropriate for the CGU as a function of the business-unit, country and currency risks of each CGU. The after-tax discount rates applied in 2010 range from 5.1% to 11.6%. In 2009, discount rates applied ranged from 5.2% to 8.5%.

When this method is used, the measurement of the recoverable value of goodwill CGU is based on three scenarios (low, medium and high), distinguished by a change in the key assumption : the discount rate. The medium scenario is preferred.

Valuations thus obtained are systematically compared with valuations obtained using 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 material 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

The following table describes the method and discount rate used in examining the recoverable amount of material goodwill CGU:

Cash-generating units	Measurement method	Discount rates
Agbar	DCF + confirmation by multiples (*)	6.68% - 11.60%
SITA France	DCF + confirmation by multiples (*)	5.61%
SITA News	DCF + confirmation by multiples (*)	5.78%
SITA UK	DCF + confirmation by multiples (*)	5.84%
United Water - regulated activity	multiples (*) + DCF	5.08%
Lyonnaise des Eaux	DCF + confirmation by multiples (*)	5.20%
SITA Waste Services	DCF + confirmation by multiples (*)	7.36%

(*) Valuation multiples of comparable entities: market values or transactions

A change of 50 basis points upwards or downwards in the discount rate or rate of growth of normalized free cash flow does not affect the recoverable amounts of goodwill CGU, which remain higher than their book values.

The table below shows the sensitivity of the measurements of recoverable value exceeding book value, in response to changes in discount rates and growth rates:

Impact in % on excess of recoverable value over book value	Discount rates		Growth rate of normative Free Cash Flow	
	- 50 bp	+ 50 bp	- 50 bp	+ 50 bp
Agbar	116%	-96%	-82%	101%
SITA France	37%	-28%	-23%	31%
SITA News	46%	-35%	-29%	38%
SITA UK	91%	-70%	-58%	75%
United Water - regulated activity	129%	-82%	-74%	116%
Lyonnaise des Eaux	29%	-21%	-18%	25%
SITA Waste Services	88%	-73%	-56%	68%

Change in a CGU

The "SITA News" CGU was created in accordance with the definition of a CGU in IAS 36.
This CGU comprises all the waste collection and treatment activities in the Netherlands, Belgium (Wallonia and Flanders), Germany and Luxembourg.

The flows between these different entities have become significant, in particular waste incineration flows which were optimized across the "SITA News" CGU given the gradual opening up of borders (already in effect between Germany and the Netherlands). This relies on defining internal transfer prices and setting up a central waste flow management approach, as a result of which the cash flows for these different countries are no longer autonomous from each other.
In addition to this financial and operational convergence, a unique management team exists and a central IT system is being set up.

Main other CGUs

For SITA Nordic (Sweden and Finland) the discount rate used in the discounted cash flow method is 5.9%.

9.4 SEGMENT INFORMATION

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

(in € millions)	**Dec. 31, 2010**	**Dec. 31, 2009**
Water Europe	708.7	725.1
Waste Europe	1,500.6	1,468.1
International	918.7	876.3
Other	-	-
Total	**3,128.0**	**3,069.5**

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

NOTE 10 – INTANGIBLE ASSETS

10.1 MOVEMENTS IN THE CARRYING AMOUNT OF INTANGIBLE ASSETS

in € millions	Softwares		Intangible rights arising on concession contracts		Other		TOTAL
A. Gross amount							
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	(a)	122.8	(b)	**202.2**
Other	(0.5)		100.8		(0.2)		**100.1**
at December 31, 2009	**355.7**		**3,184.5**		**810.8**		**4,351.0**
Acquisitions	31.3		346.6		25.4		**403.3**
Disposals	(6.2)		(37.4)		(1.3)		**(44.9)**
Translation adjustments	1.1		55.3	(d)	2.2		**58.6**
Changes in scope of consolidation	(73.0)	(e)	364.6	(e)	610.1	(e)	**901.7**
Other	0.7		(11.7)		4.0		**(7.0)**
at December 31, 2010	**309.6**		**3,901.9**		**1,451.2**		**5,662.7**
B. Accumulated depreciation and impairment							
at December 31, 2008	**(270.7)**		**(1,439.9)**		**(237.4)**		**(1,948.0)**
Depreciation	(20.0)		(113.8)		(43.8)		**(177.6)**
Impairment losses	-		(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)**
Depreciation	(23.3)		(133.8)		(56.4)		**(213.5)**
Impairment losses	(1.5)		(22.3)	(c)	(12.9)		**(36.7)**
Disposals	3.6		12.1		1.4		**17.1**
Translation adjustments	(0.7)		(15.5)	(d)	(1.8)		**(18.0)**
Changes in scope of consolidation	72.0	(e)	415.4	(e)	(37.5)	(e)	**449.9**
Other	2.5		9.7		20.3		**32.5**
at December 31, 2010	**(222.1)**		**(1,276.4)**		**(385.4)**		**(1,883.9)**
C. Carrying amount							
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**
at December 31, 2010	**87.5**		**2,625.5**		**1,065.8**		**3,778.8**

(a) Entry into the scope of consolidation of Nuove Acque: the intangible rights on concession contracts represent €47 million.

(b) Impact related to the entry into the scope of consolidation of the depreciable intangible assets of Nuove Acque totaling €53 million, the impact of the move of SITA Waste Services (formerly Swire SITA) from proportionate consolidation to full consolidation, and 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).

(c) Impairment losses related to the persistent underperformance of peripheral activities in the Water Europe segment (see Note 5).

(d) Translation gains and losses mainly in Asian entities and the Agbar Group's foreign subsidiaries.

(e) Changes in the scope of consolidation due to:

- the change in the consolidation method for the Agbar Group from proportionate to full consolidation since the takeover in June 2010;
- the finalization of the opening statements of financial position impacted mainly by the remeasurement at fair value of the existing contract portfolio of Agbar, of the entities in which SUEZ ENVIRONNEMENT took control after the unwinding of the joint investments with Veolia-Eau in the water management sector and SITA Waste Services. See Note 2 – Major transactions.

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 management businesses. 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-depreciable intangible assets

At December 31, 2010 non-depreciable intangible assets amounted to €221 million versus €65 million at December 31, 2009 and were presented within "Other". The change corresponds mainly to the impact of the remeasurement of assets acquired in the takeover of Agbar pursuant to IFRS 3 Revised (see Note 2).

No impairment was posted in this category of assets in 2010.

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.

The research and development expenses were posted to expenses, in the amount of €73 million versus €65 million in 2009.

Expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset are not material.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

11.1 MOVEMENTS IN THE CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

in € millions	Land	Constructions	Plant and equipment	Transport equipment	Capitalized dismantling and restoration costs	Construction in progress	Other	Total property, plant and equipment
A. Gross amount								
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**
Acquisitions	70.5	93.3	284.9	107.6	6.2	472.3	27.5	**1,062.3**
Disposals	(25.8)	(26.9)	(112.3)	(77.5)	0.0	0.0	(22.6)	**(265.1)**
Translation adjustments	52.3	68.2	325.5	32.5	11.6	7.2	10.1	**507.4**
Changes in scope of consolidation	271.1	97.2	177.9	(23.3)	1.3	13.9	(114.2)	**423.9**
Other	24.7	8.4	78.3	24.8	14.2	(269.9)	10.1	**(109.4)**
at December 31, 2010	**1,767.6**	**2,501.9**	**7,396.5**	**1,436.8**	**522.3**	**825.8**	**365.2**	**14,816.1**
B. Accumulated depreciation and impairment								
at December 31, 2008	**(567.2)**	**(915.4)**	**(3,175.2)**	**(847.9)**	**(478.5)**	**(3.8)**	**(323.7)**	**(6,311.7)**
Depreciation	(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)**
Depreciation	(71.8)	(133.9)	(389.0)	(126.0)	(7.0)	0.0	(33.9)	**(761.6)**
Impairment losses	(7.7)	(4.2)	(11.7)	0.0	0.0	(1.9)	0.2	**(25.3)**
Disposals	30.1	20.6	94.7	68.5	0.6	0.0	20.5	**235.0**
Translation adjustments	(29.1)	(13.3)	(70.2)	(20.0)	(11.6)	0.0	(6.0)	**(150.2)**
Changes in scope of consolidation	0.2	98.4	1 197.1	24.0	(1.3)	0.0	94.0	**1,412.4**
Other	11.1	7.4	24.3	5.3	(14.2)	0.2	3.8	**37.9**
at December 31, 2010	**(716.5)**	**(979.1)**	**(2,562.2)**	**(946.4)**	**(518.3)**	**(4.0)**	**(234.4)**	**(5,960.9)**
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
at December 31, 2010	**1,051.1**	**1,522.8**	**4,834.3**	**490.4**	**4.0**	**821.8**	**130.8**	**8,855.2**

In 2010, changes in the scope of consolidation had a net impact on property, plant and equipment totaling €1,836.3 million. As described in Note 2 –Major transactions, these resulted mainly from the takeover of the Agbar Group (+€1,737.8 million), various entries into the scope of consolidation at SITA France (+€64.4 million), and the unwinding of the joint investments previously held by Lyonnaise des Eaux and Veolia-Eau (+€21.4 million).

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 LondonWaste by SITA UK (-€57.3 million) and various entries into the scope of consolidation at Agbar (€89.8 million).

11.2 PLEDGED AND MORTGAGED ASSETS

Property, plant and equipment given in guarantee to pledge financial debts totaled €655.3 million at December 31, 2010, versus €135.4 million at December 31, 2009. This increase is due mainly to a pledge given on the assets of United Water New Jersey to guarantee a borrowing which had no equivalent at December 31, 2009.

11.3 OTHER CONTRACTUAL INVESTMENT COMMITMENTS

In the ordinary course of their operations, certain Group companies have also entered into commitments to invest in technical facilities, with a corresponding commitment from the related third parties to deliver these facilities to them.

Group contractual commitments to invest in property, plant and equipment amounted to €770.3 million at December 31, 2010 versus €464.8 million at December 31, 2009. This increase is due mainly to the move to full consolidation of Agbar at its takeover in June 2010 as well as a five-year investment plan for Bristol Water, a UK subsidiary of Agbar, in the amount of €274.5 million.

In 2010, Agbar, pursuant to its purchase commitment to Caixa, took over the leasing contract for the building where its head office is located in Barcelona (Torre Agbar). Consequently, the head office now figures in property, plant and equipment in SUEZ ENVIRONNEMENT Group's statement of financial position.

NOTE 12 – INTERESTS IN JOINT VENTURES

The contributions of the principal joint ventures to the Group's consolidated annual financial statements are presented below:

in € millions	Percent consolidated	Current assets	Non-current assets	Current liabilities	Non-current liabilities
At December 31, 2010					
Agbar Group	100.0	NA	NA	NA	NA
Total		**NA**	**NA**	**NA**	**NA**
At December 31, 2009					
Agbar Group	51.0	951.2	2,873.9	942.3	1,026.3
Total		**951.2**	**2,873.9**	**942.3**	**1,026.3**

In 2009, the entire Agbar Group was proportionately consolidated at 51% in the consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY.

The Agbar Group has been fully consolidated since its takeover by SUEZ ENVIRONNEMENT. The transaction is described in Note 2 – Major transactions.

NOTE 13 – FINANCIAL INSTRUMENTS

13.1 FINANCIAL ASSETS

The Group's financial assets break down as follows:

in € millions	December 31, 2010			December 31, 2009		
	Non-current	Current	TOTAL	Non-current	Current	TOTAL
Available-for-sale securities	**517.7**	**-**	**517.7**	**447.8**	**-**	**447.8**
Loans and receivables carried at amortized cost	**611.9**	**4,066.1**	**4,678.0**	**400.3**	**3,754.8**	**4,155.1**
Loans and receivables carried at amortized cost (excluding trade and other receivables)	611.9	194.3	806.2	400.3	204.6	604.9
Trade and other receivables (a)	-	3,871.8	3,871.8	-	3,550.2	3,550.2
Financial assets measured at fair value through income	**171.2**	**273.9**	**445.1**	**44.8**	**1,152.8**	**1,197.6**
Derivative financial instruments	171.2	9.2	180.4	44.8	11.7	56.5
Financial assets at fair value through income excluding derivatives	-	264.7	264.7	-	1,141.1	1,141.1
Cash and cash equivalents	**-**	**1,826.5**	**1,826.5**	**-**	**2,711.7**	**2,711.7**
Total	**1,300.8**	**6,166.5**	**7,467.3**	**892.9**	**7,619.3**	**8,512.2**

(a) Advances and down payments on assets as well as certain other items such as pre-paid expenses or expenses carried forward, trade debts due under construction contracts, advances and down payments on orders, which previously had been shown as "Trade and other receivables", are now classified as "Other assets" in the 2010 statement of financial position. The 2009 comparative data has been restated to ensure the presentation is consistent.

The decline in cash and cash equivalents, and financial assets recognized at fair value through income since December 31, 2009, is due mainly to the repayment of certain borrowings during 2010, particularly a payment to GDF SUEZ of €1,301.1 million (excluding repayments made by drawing on credit facilities), some of which were early repayments.

13.1.1 Available-for-sale securities

At December 31, 2009	**447.8**	
Acquisitions	96.5	
Net book value of disposals	(4.4)	
Changes in fair value recognized in shareholders' capital	6.6	
Changes in fair value recognized in income	(4.3)	
Scope effects, translation adjustments and other	(24.5)	(a)
At December 31, 2010	**517.7**	

(a) Resulting mainly from the entry into the scope of consolidation of Recydem (subsidiary of SITA France) and Archambault (subsidiary of Lyonnaise des Eaux France).

Available-for-sale securities held by the Group totaled €517.7 million at December 31, 2010, consisting of €191.1 million in listed securities and €326.6 million in unlisted securities (versus €92.9 million and €354.9 million in 2009, respectively). The proportion of listed securities is greater in 2010 than in 2009 due to the IPO of Chongqing Water Group following a capital increase operation in which the SUEZ ENVIRONNEMENT Group (through Suyu, a 50%-owned company) did not participate. Consequently its holdings were diluted.

Acquisitions over the period relate mainly to purchases of shares in the companies Urate, Provençale des Eaux and Nancéienne des Eaux by Lyonnaise des Eaux, for a total €32.7 million, and the increase in the stake in Acea over the 6% capital threshold for €27.2 million.

Due to the stock market price of Acea shares in 2010 having risen from their December 31, 2009 price, the Group revalued its Acea holdings in shareholders' equity by €12.7 million at December 31, 2010.

13.1.1.1 Gains and losses posted to equity and income from available-for-sale securities

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

	Dividends	Remeasurement			Income/(loss) on disposals
in € millions		Change in fair value	Impact of exchange rates	Impairment	
Shareholders' equity*		6.6	-		
Income	16.1	-		(4.3)	(2.0)
Total at December 31, 2010	**16.1**	**6.6**	**-**	**(4.3)**	**(2.0)**
Shareholders' equity*		(45.3)	-		
Income	33.9	-		(0.1)	34.2
Total at December 31, 2009	**33.9**	**(45.3)**	**-**	**(0.1)**	**34.2**

* excluding tax impact

13.1.1.2 Analysis of available-for-sale securities as part of impairment tests

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 impairments.

Impairment of listed securities is considered to be material or long-term if their value declines by more than 50% or over a period longer than 12 months.

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples).

The Group estimates there is no material impairment on available-for-sale securities in the 2010 fiscal year.

13.1.2 Loans and receivables carried at amortized cost

in € millions	December 31, 2010			December 31, 2009		
	Non-current	Current	TOTAL	Non-current	Current	TOTAL
Loans and receivables carried at amortized cost (excluding trade and other receivables)	**611.9**	**194.3**	**806.2**	**400.3**	**204.6**	**604.9**
Loans granted to affiliated companies	264.4	33.4	297.8	146.0	57.7	203.7
Other receivables at amortized cost	36.4	21.6	58.0	52.1	27.9	80.0
Concession receivables	303.9	135.9	439.8	191.6	115.8	307.4
Finance lease receivables	7.2	3.4	10.6	10.6	3.2	13.8
Trade and other receivables		**3,871.8**	**3,871.8**		**3,550.2**	**3,550.2**
TOTAL	**611.9**	**4,066.1**	**4,678.0**	**400.3**	**3,754.8**	**4,155.1**

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

in € millions	December 31, 2010			December 31, 2009		
	Gross	Depreciation & impairment	Net	Gross	Depreciation & impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	924.6	(118.4)	**806.2**	819.5	(214.6)	**604.9**
Trade and other receivables	4,075.9	(204.1)	**3,871.8**	3,751.5	(201.3)	**3,550.2**
Total	**5,000.5**	**(322.5)**	**4,678.0**	**4,571.0**	**(415.9)**	**4,155.1**

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):

in € millions	Interest	Remeasurement post acquisition	
		Translation adjustement	Impairment
At December 31, 2010	48.8	1.6	(70.3)
At December 31, 2009	39.5	0.2	(48.5)

Loans and receivables carried at amortized cost (excluding customer receivables)

"Loans granted to affiliated companies" primarily includes loans to associates accounted for by the equity method and to non-consolidated companies, and amounted to €280.5 million at December 31, 2010, versus €184.7 million at December 31, 2009.

The fair value of loans granted to affiliated companies amounted to €369.4 million at December 31, 2010 versus €301.0 million in 2009. The net carrying amount of these loans was €297.8 million at December 31, 2010 versus €203.7 million in 2009.

The change in the item "Concession receivables" is due to the Agbar Group moving to full consolidation.

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 based on the estimated risk of non-recovery.

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

The change in the item "Trade and other receivables" is due mainly to the change in the consolidation method as a result of the takeover of Agbar.

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:

	December 31, 2010			December 31, 2009		
in € millions	Non-current	Current	TOTAL	Non-current	Current	TOTAL
Derivative financial instruments	**171.2**	**9.2**	**180.4**	**44.8**	**11.7**	**56.5**
Derivatives hedging borrowings	135.0	-	135.0	31.0	-	31.0
Derivatives hedging commodities	-	3.4	3.4	-	4.1	4.1
Derivatives hedging other items	36.2	5.8	42.0	13.8	7.6	21.4
Financial assets at fair value through income excluding derivatives	-	**264.7**	264.7	-	**1,141.1**	**1,141.1**
Financial assets qualifying for fair value through income	-	264.7	264.7	-	1,141.1	1,141.1
Financial assets designated at fair value through income	-	-	-	-	-	-
Total	**171.2**	**273.9**	**445.1**	**44.8**	**1,152.8**	**1,197.6**

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).

As part of strengthening its cash and cash equivalents, the Group issued €3.5 billion in bonds since 2009 of which €500 million in the first half of 2010. Some of the funds were invested in cash UCITS.

Income recognized on all financial assets measured at fair value through income at December 31, 2010 was €4.3 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 €1,826.5 million at December 31, 2010 versus €2,711.7 million at December 31, 2009.

This item includes restricted cash amounting to €527 million at December 31, 2010 versus €41.7 million at December 31, 2009, related mainly to guarantees on issuances of bank letters of credit.

Income recognized in respect of "Cash and cash equivalents" at December 31, 2010 amounted to €10.8 million versus €22.4 million at December 31, 2009.

13.1.5 Pledged and mortgaged assets

in € millions	December 31, 2010	December 31, 2009
Pledged and mortgaged assets	22.1	12.1

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 under the "Financial liabilities at fair value through income" item.

The Group's financial liabilities are classified under the following categories at December 31, 2010:

	December 31, 2010			December 31, 2009		
in € millions	Non-current	Current	Total	Non-current	Current	Total
Borrowings	8,287.4	1,352.7	**9,640.1**	6,400.0	3,680.2	**10,080.2**
Derivative financial instruments	108.6	40.6	**149.2**	62.5	57.1	**119.6**
Trade and other payables	-	2,878.7	**2,878.7**	-	2,243.1	**2,243.1**
Other financial liabilities	122.1	-	**122.1**	100.2	-	**100.2**
TOTAL	**8,518.1**	**4,272.0**	**12,790.1**	**6,562.8**	**5,980.4**	**12,543.2**

Advances and down payments as well as certain other items such as trade debts payable under construction contracts, amounts collected for third parties, replacement liabilities and prepaid income, which previously had been shown as "Trade and other payables" are now classified as "Other liabilities" in the 2010 statement of financial position. The 2009 comparative data has been restated to ensure the presentation is consistent.

13.2.1 Borrowings and debt

	December 31, 2010			December 31, 2009		
in € millions	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	4,878.8	45.2	4,924.0	3,763.0	31.0	3,794.0
Draw downs on credit facilities	803.2	268.8	1,072.0	121.0	633.0	754.0
Borrowings under finance leases	511.4	63.3	574.7	409.2	55.3	464.5
Other bank borrowings	1,608.7	135.6	1,744.3	1,176.4	920.6	2,097.0
Other borrowings	511.6	41.7	553.3	953.7	979.7	1,933.4
Borrowings	**8,313.7**	**554.6**	**8,868.3**	**6,423.3**	**2,619.6**	**9,042.9**
Overdrafts and current accounts	-	647.5	647.5	-	936.6	936.6
Outstanding financial debt	**8,313.7**	**1,202.1**	**9,515.8**	**6,423.3**	**3,556.2**	**9,979.5**
Impact of measurement at amortized cost	(26.3)	104.1	77.8	(23.3)	121.7	98.4
Impact of fair value hedge	-	46.5	46.5	-	2.3	2.3
Borrowings and debt	**8,287.4**	**1,352.7**	**9,640.1**	**6,400.0**	**3,680.2**	**10,080.2**

The fair value of gross financial debt at December 31, 2010 was €9,726.4 million for a net book value of €9,640.1 million.

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 section 13.3 "Net debt."

13.2.2 Financial derivative instruments (incl. commodities)

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

in € millions	December 31, 2010			December 31, 2009		
	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	73.1	38.6	**111.7**	49.5	35.6	85.1
Derivatives hedging commodities	0.0	0.5	**0.5**	0.0	16.7	16.7
Derivatives hedging other items	35.5	1.5	**37.0**	13.0	4.8	17.8
Total	**108.6**	**40.6**	**149.2**	**62.5**	**57.1**	**119.6**

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

13.2.3 Trade and other payables

in € millions	December 31, 2010	December 31, 2009
Trade payables	2,548.5	2,022.4
Payables on fixed assets	330.2	220.7
Total	**2,878.7**	**2,243.1**

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

13.2.4 Other financial liabilities

Other financial liabilities are analyzed as follows:

in € millions	December 31, 2010	December 31, 2009
Liabilities on share purchases	122.1	100.2
Total	**122.1**	**100.2**

13.3 NET DEBT

in € millions	December 31, 2010			December 31, 2009		
	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	8,313.7	1,202.1	9,515.8	6,423.3	3,556.2	9,979.5
Impact of measurement at amortized cost	(26.3)	104.1	77.8	(23.3)	121.7	98.4
Impact of fair value hedge (a)	0.0	46.5	46.5	0.0	2.3	2.3
Borrowings and debt	**8,287.4**	**1,352.7**	**9,640.1**	**6,400.0**	**3,680.2**	**10,080.2**
Derivative hedging borrowings under liabilities (b) see Note 13.2.2	73.1	38.6	111.7	49.5	35.6	85.1
Gross debt	**8,360.5**	**1,391.3**	**9,751.8**	**6,449.5**	**3,715.8**	**10,165.3**
Financial assets at fair value through income see Note 13.1.3	0.0	(264.7)	(264.7)	0.0	(1,141.1)	(1,141.1)
Cash and cash equivalents	0.0	(1,826.5)	(1,826.5)	0.0	(2,711.7)	(2,711.7)
Derivative hedging borrowings under assets (b) see Note 13.1.3	(135.0)	0.0	(135.0)	(31.0)	0.0	(31.0)
Net cash	**(135.0)**	**(2,091.2)**	**(2,226.2)**	**(31.0)**	**(3,852.8)**	**(3,883.8)**
Net debt	**8,225.5**	**(699.9)**	**7,525.6**	**6,418.5**	**(137.0)**	**6,281.5**
Outstanding borrowings	8,313.7	1,202.1	9,515.8	6,423.3	3,556.2	9,979.5
Financial assets measured at fair value through income	0.0	(264.7)	(264.7)	0.0	(1,141.1)	(1,141.1)
Cash and cash equivalents	0.0	(1,826.5)	(1,826.5)	0.0	(2,711.7)	(2,711.7)
Net debt excluding amortized cost and impact of derivative financial instruments	**8,313.7**	**(889.1)**	**7,424.6**	**6,423.3**	**(296.6)**	**6,126.7**

(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 €1,244.1 million during 2010,primarily for the following reasons:

- the takeover of the Agbar Group and the change in its consolidation method (increase of €1,168.2 million);
- the dividend payment made to SUEZ ENVIRONNEMENT COMPANY shareholders (increase of €317.4 million);
- the impact of the unwinding of joint investments at Lyonnaise des Eaux France in the amount of €62.3 million, as well as other acquisitions made in 2010, in particular the purchase by SUEZ ENVIRONNEMENT SAS of Acea shares for €27.2 million;
- foreign exchange impacts (+€246.2 million)
- financial debt repayments using the funds obtained by issuing undated deeply subordinated notes (see Note 2 and Section 13.3.2, specifically €742.1 million (net of costs) of net debt).

13.3.2 Bond issues

During 2010, SUEZ ENVIRONNEMENT COMPANY, under the EMTN programme, placed a €500 million 12-year bond issue bearing a coupon of 4.125% and maturing June 24, 2022.

SUEZ ENVIRONNEMENT COMPANY also issued €750 million of undated deeply subordinated notes bearing a coupon of 4.82%. This new issue is not recognized in financial debt as it satisfies the conditions of IAS 32 for recognition in equity.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate risk and foreign exchange risk is presented in Note 14 – Risks arising from financial instruments.

13.3.3 Debt/equity ratio

in € millions	**December 31, 2010**	**December 31, 2009**
Net debt	7,525.6	6,281.5
Total equity	6,626.8	4,418.1
Debt/equity ratio	113.6%	142.2%

13.4 Fair value of financial instruments per level

13.4.1 Financial assets

Financial instruments excluding commodities recognized at fair value are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.5.10.3):

in € millions	December 31, 2010 Total	Level 1	Level 2	Level 3	December 31, 2009 Total	Level 1	Level 2	Level 3
Available-for-sale securities	**517.7**	**191.1**		**326.6**	**447.8**	**92.9**		**354.9**
Loans and receivables carried at amortized cost	**806.2**		**806.2**		**604.9**		**604.9**	
Loans and receivables carried at amortized cost (excluding trade and other receivables)	806.2		806.2		604.9		604.9	
Derivative financial instruments	**180.4**		**180.4**		**56.5**		**56.5**	
Derivatives hedging borrowings	135.0		135.0		31.0		31.0	
Derivatives hedging commodities	3.4		3.4		4.1		4.1	
Derivatives hedging other items	42.0		42.0		21.4		21.4	
Financial assets measured at fair value through income excluding derivatives	**264.7**		**264.7**		**1,141.1**		**1,141.1**	
Total	**1,769.0**	**191.1**	**1,251.3**	**326.6**	**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. These instruments are considered Level 2.

Financial assets measured at fair value through income:

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

At December 31, 2010, the change in Level 3 available-for-sale securities breaks down as follows:

in € millions	
December 31, 2009	**354.9**
Gains and losses posted to income	6.6
Gains and losses posted to equity	(15.5)
Acquisitions	69.0
Disposals	(4.4)
Changes in scope, exchange rates and other	(84.0)
At December 31, 2010	**326.6**

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 shares would result in a €13.5 million decline in equity.

13.4.2 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 1.5.10.3):

in € millions	December 31, 2010				December 31, 2009			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	**9,640.1**		**9,640.1**		**10,080.2**		**10,080.2**	
Derivative financial instruments	**149.2**		**149.2**		**119.6**		**119.6**	
Derivatives hedging borrowings	111.7		111.7		85.1		85.1	
Derivatives hedging commodities	0.5		0.5		16.7		16.7	
Derivatives hedging other items	37.0		37.0		17.8		17.8	
Other financial liabilities	-		-		-		-	
Total	**9,789.3**	**-**	**9,789.3**	**-**	**10,199.8**	**-**	**10,199.8**	**-**

Bonds and borrowings:

Bonds contributing to a fair value hedging relationship are presented in this table in Level 2. They are revalued only in terms of the interest rate component, the fair value of which is determined based on observable data.

Derivative financial instruments:

See Note 13.4.1

NOTE 14 – RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

14.1 MARKET RISKS

14.1.1 Commodity market risks

14.1.1.1 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 in cash. The Group's aim is to protect itself against adverse changes in market prices which may specifically affect its supply costs.

14.1.1.2 Fair value of derivative instruments linked to commodities

The fair values of derivative instruments linked to commodities at December 31, 2010 and 2009 are presented in the table below:

	December 31, 2010				December 31, 2009			
	Assets		Liabilities		Assets		Liabilities	
in € millions	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	3.4	-	0.5	-	4.1	-	16.7	-
TOTAL	**3.4**	**-**	**0.5**	**-**	**4.1**	**-**	**16.7**	**-**

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

	December 31, 2010				December 31, 2009			
	Assets		Liabilities		Assets		Liabilities	
in € millions	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
ELECTRICITY	1.9	-	-	-	4.1	-	-	-
Swaps	1.9	-	-	-	4.1	-	-	-
Options	-	-	-	-	-	-	-	-
Forwards/ futures	-	-	-	-	-	-	-	-
OIL	1.5	-	0.5	-	-	-	16.7	-
Swaps	1.5	-	0.5	-	-	-	16.7	-
Options	-	-	-	-	-	-	-	-
Forwards/ futures	-	-	-	-	-	-	-	-
TOTAL	**3.4**	**-**	**0.5**	**-**	**4.1**	**-**	**16.7**	**-**

14.1.2 Foreign exchange 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 (translation risk). Translation risk is mainly concentrated on holdings in the United States, United Kingdom, Chile and Australia. The Group's hedging policy with regard to investments in non-

eurozone currencies consists in contracting liabilities denominated in the same currency as the cash flows it expects to derive from the hedged assets.

Among the hedging instruments used, borrowings in the relevant currency constitute the most natural hedging tool. The Group also uses foreign exchange derivatives (swaps), which enable the creation of synthetic currency debts.

Exposure to foreign exchange risk is reviewed monthly and 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 hedging ratio is subject to prior approval by the Treasury Committee.

Taking financial instruments into account, 44% of net debt was denominated in euro, 17% in US dollar, 9% in pound sterling, and 17% in Chilean peso at the end of 2010, compared with 57% in euro, 18% in US dollar, 7% in pound sterling and 7% in Chilean peso at the end of 2009.

14.1.2.1 Analysis of financial instruments by currency

The breakdown by currency of outstanding borrowings and of net debt, before and after taking hedge derivatives into account, is presented below:

Outstanding borrowings:

	December, 31 2010		December, 31 2009	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	81%	70%	77%	69%
US$ zone	6%	9%	10%	12%
£ zone	2%	4%	3%	5%
CLP (Chilean peso)	6%	7%	5%	5%
Other currencies	5%	10%	5%	9%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt:

	December, 31 2010		December, 31 2009	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	70%	44%	70%	57%
US$ zone	9%	17%	16%	18%
£ zone	3%	9%	3%	7%
CLP (Chilean peso)	14%	17%	7%	7%
Other currencies	4%	13%	4%	11%
TOTAL	**100%**	**100%**	**100%**	**100%**

14.1.2.2 Analysis of foreign exchange risk sensitivity

The sensitivity analysis was based on the debt position as at the statement of financial position date (including derivative instruments).

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

Impact on income:

Changes in exchange rates against 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 exchanges against euro would generate a gain or loss of €1.0 million.

Impact on equity:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform 10% change in foreign exchanges against the euro would impact equity by €139.0 million. This impact would be offset by any countereffect on the net investment in the hedged currency.

14.1.3 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. Accordingly, the proportion of debt on floating rates has increased (+9%) to take advantage of low short-term rates.

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 euro, US dollar, pound sterling and Chilean peso, which represented 87% of net debt at December 31, 2010.

14.1.3.1 Financial instruments by type of rate

The breakdown by type of rate of outstanding borrowings and net debt, before and after impact of hedging instruments, is shown in the following tables:

Total outstanding borrowings:

	December 31, 2010		December 31, 2009	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	36%	44%	43%	52%
Fixed rate	64%	56%	57%	48%
TOTAL	**100%**	**100%**	**100%**	**100%**

Net debt:

	December 31, 2010		December 31, 2009	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	20%	31%	7%	22%
Fixed rate	80%	69%	93%	78%
TOTAL	**100%**	**100%**	**100%**	**100%**

14.1.3.2 Analysis of interest rate risk sensitivity

For **interest rate risk**, sensitivity is calculated based on the impact of a rate change of +/-1% compared with year-end interest rates.

Impact on income:

A +/- 1% change 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 or positive impact of €23.6 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a gain of €4.5 million in the income statement due to the change in the fair value of undocumented derivatives. Conversely, a 1% decrease in interest rates would generate a €4.5 million loss.

Impact on equity:

A uniform +/- 1% movement in short-term interest rates (for all currencies) would have a positive or negative equity impact of €25.8 million due to the change in fair value of qualified cash-flow hedging derivatives.

14.1.4 Foreign exchange and interest rate risks hedges

The fair values and notional amounts of the financial derivative instruments used to hedge foreign exchange and interest rate risks are as follows:

Foreign exchange derivatives *in € millions*	December 31, 2010		December 31, 2009	
	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	3.4	278.6	0.9	273.9
Cash-flow hedges	0.1	34.5	(0.3)	15.2
Net investment hedges	(24.5)	1,225.8	11.0	618.0
Derivative instruments not qualifying for hedge accounting	3.5	513.9	(8.5)	616.0
Total	**(17.4)**	**2,052.8**	**3.1**	**1,523.1**

Interest rate derivatives *in € millions*	December 31, 2010		December 31, 2009	
	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	98.3	1,850.0	15.1	2,539.9
Cash-flow hedges	(39.0)	864.3	(42.2)	1,019.3
Derivative instruments not qualifying for hedge accounting	(14.5)	324.3	(16.7)	318.9
Total	**44.8**	**3,038.6**	**(43.8)**	**3,878.1**

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

The Group defines foreign exchange derivatives hedging by firm foreign currency commitments, and instruments transforming fixed-rate debt into floating-rate debt, as fair value hedges.

Cash-flow hedges correspond mainly to hedges of future operating foreign currency cash flows and the hedging of floating rate debt.

Net investment hedging instruments are mainly foreign exchange swaps.

Interest rate derivatives 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.

Foreign exchange derivatives not qualified for hedging provide financial cover for foreign currency commitments. Furthermore, the effect of foreign exchange derivatives is almost entirely offset by translation adjustments on the hedged items.

Fair-value hedges:

At December 31, 2010 the net impact of fair value hedges recognized in the income statement was not material.

Cash flow hedges:

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

At December 31, 2010 *in € millions*	TOTAL	2011	2012	2013	2014	2015	> 5 yrs
Fair value of derivatives by maturity date	(18.8)	(9.0)	(0.5)	(7.5)	(2.5)	(0.9)	1.6

At December 31, 2009 *in € millions*	TOTAL	2010	2011	2012	2013	2014	> 5 yrs
Fair value of derivatives by maturity date	(42.5)	(24.0)	(9.9)	(4.9)	(1.3)	(1.1)	(1.3)

At December 31, 2010 unrealized gains and losses directly recognized in equity Group share over the period amounted to a loss of €17.2 million (including the impacts on associates).

The ineffective portion of cash-flow hedges recognized in income was not material.

Net investment hedges:

The ineffective portion of net investment hedges recognized in income represented a loss of €5.5 million.

14.2 Counterparty risk

Through its operational and financial activities, the Group is exposed to the risk of default on the part of its counterparties (customers, suppliers, associates, intermediaries, banks) in the event that they find it impossible to meet their contractual obligations. This risk arises from a combination of payment risk (non-payment of goods or services rendered), delivery risk (non-delivery of goods or services already paid), and replacement risk on defaulting contracts (called Mark-to-Market exposure to the risk that replacement terms will be different from the initially agreed terms).

14.2.1 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	Past-due non impaired assets at the closing date				Impaired assets	Non-impaired and not past-due assets	Total
Trade and other receivables	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
at December 31, 2010	335.7	26.7	48.0	410.4	204.1	3,461.4	**4,075.9**
at December 31, 2009	144.0	8.5	44.1	196.6	201.3	3,353.6	**3,751.5**

The 2009 comparative data has been restated to make the presentation consistent (see the comment on reclassifications in Note 13.1).

The ageing 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

In "Other assets" the proportion of depreciated assets is not material in relation to the total amount of the item. Moreover, the Group does not consider that it is exposed to any counterparty risk on those assets.

14.2.2 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 on the assets side of the statement of financial position (i.e., €6,949.6 million at December 31, 2010, and €8,215.5 million at December 31, 2009).

14.2.2.1 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	Past-due non impaired assets at the closing date				Impaired assets	Non-impaired and not past-due assets	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, 2010	0.0	0.0	0.1	0.1	118.4	808.0	**926.6**
at December 31, 2009	8.6	0.1	0.1	8.8	214.6	597.4	**820.8**

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (€118.4 million at December 31, 2010) or amortized cost (€2.0 million at December 31, 2010). The change in these items is presented in Note 13.1.2 "Loans and receivables at amortized cost."

14.2.2.2 Counterparty risk arising from investing activities

The Group is exposed to counterparty risk on the investment of its excess cash and cash equivalents, 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, 2010 total cash and cash equivalents exposed to counterparty risk was €1,826.5 million. Investment-grade counterparties (counterparties with minimum Standard & Poor's rating of BBB- or Moody's rating of Baa3) represented 93% 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 (2%) or counterparties rated non-investment grade (5%). Most of the two latter types of exposure consisted of consolidated companies with non-controlling 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, 2010, no counterparty outside the GDF SUEZ Group represented more than 20% of cash and cash equivalents (weighted by the estimated risk of each investment depending on type, currency and maturity).

14.3 Liquidity risk

14.3.1 Available cash

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

- The framework financing agreement with GDF SUEZ put in place in June 2008 and expiring at the end of December 2010. A new agreement will come into effect from January 1, 2011 guaranteeing the Group a line of financing up to €350 million and will expire July 2013.

- Diversification of financing sources between the banking and capital markets.

- Balanced repayment profile of borrowings.

At December 31, 2010, the Group had available cash of €2,226.2 million (including €264.7 million in UCITS held for trading purposes and €135.0 million in financial derivatives). Almost all surplus cash was invested in short-term bank deposits and regular cash UCITs.

In addition, at December 31, 2010 the Group specifically had €2,919.5 million in confirmed credit facilities, including €1,072.0 million already drawn; unused credit facilities therefore totaled €1,847.5 million, €256.7 million of which will be maturing in 2011.

Bank funding represented 31% of gross borrowings (excluding bank overdrafts, amortized cost, and derivatives effect) at December 31, 2010. Capital markets financing (securitization accounting for 3% and bonds 55%) represented 58% of the total.

The Group anticipates that its financing needs for the major planned investments will be covered by its available cash, the sale of UCITs held for trading purposes, its future cash flow resulting from operating activities, and the potential use of available credit facilities.

In addition, the Group does not rule out refinancing part of its debt in 2011 by tapping the short and/or long-term debt capital markets, or bank borrowings if market conditions are favorable. As in 2010, any market refinancings will be carried out by SUEZ ENVIRONNEMENT COMPANY. Finally, if necessary, specific financing may be put in place for specific projects.

14.3.2 Undiscounted contractual payments

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

At December 31, 2010 *in € millions*	TOTAL	2011	2012	2013	2014	2015	Beyond 5 years
Debt with GDF SUEZ	**210.0**	59.4	6.0	6.0	6.0	106.0	26.6
Bond or bank borrowings	**9,305.8**	1,142.7	1,167.9	361.6	1,530.5	724.5	4,378.6
Total	**9,515.8**	**1,202.1**	**1,173.9**	**367.6**	**1,536.5**	**830.5**	**4,405.2**

Moreover, at December 31, 2010 undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

At December 31, 2010 *in € millions*	TOTAL	2011	2012	2013	2014	2015	Beyond 5 years
Bonds issues	**4,923.9**	45.2	87.1	21.1	1,406.3	89.2	3,275.0
Draw downs on credit facilities	**1,072.0**	268.8	331.2	0.0	0.0	412.3	59.7
Borrowings under finance leases	**574.7**	63.3	56.7	53.8	50.2	48.1	302.6
Other bank borrowings	**1,744.3**	135.6	422.8	273.6	58.3	162.3	691.7
Other borrowings	**553.4**	41.7	276.1	19.1	21.7	118.6	76.2
Overdrafts and current accounts	**647.5**	647.5	0.0	0.0	0.0	0.0	0.0
Outstanding borrowings	**9,515.8**	**1,202.1**	**1,173.9**	**367.6**	**1,536.5**	**830.5**	**4,405.2**
Financial assets measured at fair value through income	**(264.7)**	(264.7)	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	**(1,826.5)**	(1,826.5)	0.0	0.0	0.0	0.0	0.0
Net debt excluding amortized cost and impact of derivative financial instruments	**7,424.6**	**(889.1)**	**1,173.9**	**367.6**	**1,536.5**	**830.5**	**4,405.2**

At December 31, 2009 *in € millions*	TOTAL	2010	2011	2012	2013	2014	Beyond 5 years
Outstanding borrowings	**9,979.5**	**3,556.2**	**189.4**	**694.8**	**686.6**	**1,541.2**	**3,311.3**
Financial asset items valued at fair value through income and Cash and cash equivalents	**(3,852.8)**	(3,852.8)	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, 2010 undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

At December 31, 2010 *in € millions*	TOTAL	2011	2012	2013	2014	2015	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**3,499.9**	364.9	377.9	366.1	342.5	303.2	1,745.3

At December 31, 2009 *in € millions*	TOTAL	2010	2011	2012	2013	2014	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	**2,698.2**	342.6	301.9	295.9	281.2	240.9	1,235.7

At December 31, 2010 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, 2010 *in € millions*	TOTAL	2011	2012	2013	2014	2015	Beyond 5 years
Derivatives (excluding commodities)	**99.1**	58.0	26.2	11.3	3.6	0.4	(0.5)

At December 31, 2009 *in € millions*	TOTAL	2010	2011	2012	2013	2014	Beyond 5 years
Derivatives (excluding commodities)	**74.1**	55.0	4.6	6.2	3.2	1.9	3.2

In order to best reflect the current economic circumstances of its operations, cash flows related to derivatives recorded as liabilities or 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.

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

in € millions	TOTAL	2011	2012	2013	2014	2015	Beyond 5 years
At December 31, 2010	**1,847.5**	256.7	186.0	41.0	140.0	1,187.7	36.1

	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

At December 31, 2010, no single counterparty accounted for more than 6 % of the Group's confirmed undrawn credit lines.

14.4 Equity risk

At December 31, 2010 available-for-sale securities held by the Group amounted to €517.7 million (see Note 13.1.1).

A 10% decrease in the value of the listed securities would have a negative pre-tax impact of around €19.1 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.

NOTE 15 - EQUITY

15.1 SHARE CAPITAL

	Number of shares			Value (in € millions)		
	Total	Treasury shares	outstanding shares	Share capital	Additional paid-in capital	Treasury shares
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 reserves					-195.9	
Purchase and disposal 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**
Issuance						
Allocation to legal reserves						
Purchase and disposal of treasury shares		1,863,492	-1,863,492			25.5
At December 31, 2010	**489,699,060**	**2,164,492**	**487,534,568**	**1,958.8**	**4,002.9**	**30.2**

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 LEGAL RESERVES

In accordance with French law, SUEZ ENVIRONNEMENT COMPANY's legal reserves represent 10% of share capital. These reserves may be distributed to shareholders only in the event of the liquidation of the company.

15.3 TREASURY SHARES AND SHARE REPURCHASE PROGRAM

A new tacitly renewable liquidity contract in the amount of €25 million was signed with Rothschild et Cie Banque on August 3, 2010. The aim of this contract is to reduce the volatility of the SUEZ ENVIRONNEMENT COMPANY's share price. This contract complies with the professional ethics charter drawn up by the *Association française des Marchés Financiers* (French Financial Markets Association) and approved by the AMF.

There were 2,164,492 treasury shares (of which 132,725 held under the liquidity contract and 2,031,767 for the bonus share allocation plan) at December 31, 2010 with a value of €30.2 million, compared to 301,000 shares at December 31, 2009 with a value of €4.7 million and 1,350,000 shares at December 31, 2008 with a value of €17.1 million.

In order to partially hedge the stock option program approved by the Board of Directors on December 17, 2009, SUEZ ENVIRONNEMENT COMPANY acquired call options that replicate the conditions set on the stock-options granted to the employees. They represented a total of 1,833,348 shares.

15.4 OTHER INFORMATION ON PREMIUMS AND CONSOLIDATED RESERVES

Consolidated premiums and reserves (including income for the year) (€3,971 million at December 31, 2010) incorporate the legal reserves of SUEZ ENVIRONNEMENT COMPANY.

15.5 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, 2010 to pay a dividend of €0.65 per share, totaling €318.3 million.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2011. This dividend is not recognized under liabilities in the financial statements at December 31, 2010 as these financial statements are presented before dividend allocation.

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

in € millions	**Dec. 31, 2010**	**Change**	**Dec. 31, 2009**	**Change**	**Dec. 31, 2008**
Available-for-sale securities	7.8	5.5	2.3	(44.4)	46.7
Net investment hedges	(22.9)	(63.3)	40.5	5.7	34.8
Cash-flow hedges (excluding commodities)	(40.3)	(5.6)	(34.7)	(7.1)	(27.6)
Commodity cash-flow hedges	1.1	17.3	(16.2)	35.4	(51.6)
Actuarial gains and losses	(94.7)	(2.6)	(92.1)	(1.9)	(90.2)
Deferred taxes	55.9	13.9	42.0	25.7	16.3
Share of associates, net of tax	(14.1)	(4.7)	(9.4)	(9.4)	0.0
Translation adjustments on above items	111.3	(36.6)	147.8	(17.9)	165.7
Sub-total	**4.1**	**(76.0)**	**80.2**	**(13.9)**	**94.1**
Translation adjustments on other items	(90.6)	202.2	(292.8)	5.9	(298.7)
Total	**(86.4)**	**126.2**	**(212.6)**	**(8.0)**	**(204.6)**

15.7 UNDATED DEEPLY SUBORDINATED NOTE ISSUE

SUEZ ENVIRONNEMENT COMPANY made an issue of an undated deeply subordinated note for an amount of €750 million (before issuance costs). These notes are subordinated to any senior creditor and bear an initial fixed coupon of 4.82% for the first five years.

In accordance with IAS 32, and taking into account its characteristics (no obligation to repay, no obligation to pay a coupon[1] unless a dividend is paid out to shareholders), this instrument is recognized in equity.

15.8 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.

[1] Should there be no dividend distribution, the annual coupon remains due and will be paid on the next dividend payout. As the Shareholders' Meeting has not yet approved income allocation for 2010 no interests have been deducted from equity.

NOTE 16 – PROVISIONS

in € millions	December 31, 2009	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Changes in scope of consolidation	Impact of unwinding discount adjustments(a)	Translation adjustments	Other	December 31, 2010
Post-employment benefit obligations and other long-term benefits	442.8	25.5	(34.2)	-	12.1	17.3	13.9	13.3	490.7
Sector-related risks	105.0	15.9	(10.0)	-	13.7	-	0.3	(21.2)	103.7
Warranties	41.4	5.9	(5.6)	(0.1)	0.3	-	1.8	(14.4)	29.3
Tax risks, other disputes and claims	132.7	26.5	(14.5)	(2.3)	93.5	-	0.3	29.8	266.0
Site restroration	490.5	32.1	(31.4)	(0.4)	2.5	17.7	11.7	17.7	540.4
Restructuring costs	34.6	58.1	(54.6)	(0.7)	23.1	-	0.1	(5.9)	54.7
Other contingencies	142.0	45.2	(52.9)	(0.8)	21.8	0.4	4.3	11.7	171.7
Total provisions	**1,389.0**	**209.2**	**(203.2)**	**(4.3)**	**167.0**	**35.4**	**32.4**	**31.0**	**1,656.5**

(a) The amount shown in respect of post-employment and other long-term benefit obligations relates to the interest cost on pension obligations, net of the expected return on hedge assets.

The total increase in provisions for contingencies and losses at December 31, 2010 over December 31, 2009 is mainly due to the following:

- €167.0 million reflecting changes in the scope ofconsolidation moving the Agbar Group from proportionate to full consolidation, and the unwinding of joint investments at Lyonnaise des Eaux including the impact of business combinations (see Note 2 - Major transactions);
- a provision for restructuring at Agbar (see Note 5.3 – Restructuring) of €21.1 million at closing date;
- the impact of reversing the discounting adjustment to provisions for site restoration and post-employment benefit obligations and other long-term benefits in the amount of €35.4 million reflecting the reduction in discount rates particularly on euro;
- translation adjustments of €32.4 million mainly generated by the North American 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 2010:

in € millions	Net Allowances / (Reversals)
Income from operating activities	(6.6)
Other financial income and expenses	35.4
Income Tax Expense	8.3
Total	**37.1**

The analysis by type of provisions and the principles used to calculate them are explained below.

16.1 POST-EMPLOYMENT BENEFIT OBLIGATIONS AND OTHER LONG-TERM 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 rehabilitation provision calculations (at the time the facility is shut down) depend 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 litigations and for various business risks.

NOTE 17 – POST-EMPLOYMENT BENEFIT OBLIGATIONS AND OTHER LONG-TERM BENEFITS

17.1 DESCRIPTION OF THE MAIN PENSION PLANS AND RELATED BENEFITS

Most Group companies grant their employees post-employment benefits (pension 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, employees are paid retirement bonuses, 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 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, Spain). These funds are fed by contributions made by the company and, in certain cases, by the employees.

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 all affiliated companies. The Group recognizes such multi-employer plans as defined contribution plans in accordance with IAS 19.

17.2 PENSION REFORM IN FRANCE

The reformed pension law was enacted by the President of the Republic and published in the *Journal Officiel* on November 10, 2010.

The main legal reforms were:

- the statutory minimum retirement age was raised from 60 to 62 and the age at which workers who have not made full contributions can receive a pension without penalties was raised by two years. This change will be implemented in stages by 2018 by adding four months each year.

- the number of working years required to qualify for a full pension was increased for anyone born in 1960 or later to 41.5 years.

The Group considers that the changes induced by this legislation constitute changes to actuarial assumptions. Consequently, the increase in the obligation is recognized as an actuarial loss in "Other comprehensive income". As the rise in the minimum retirement age had been largely anticipated in the previously used assumptions, the impact on Group provisions is not material.

17.3 DEFINED BENEFIT PLANS

17.3.1. Amounts presented in the statement of financial position and the statement of comprehensive income

The information presented on the statement of financial position for post-employment and other long-term benefits corresponds to the difference between the present benefit obligation (gross liability), the fair value of the plan assets and the unrecognized past service cost, when applicable. If this difference

is positive, a provision is posted (net liability). If the difference is negative, a net asset is posted provided it satisfies the conditions for recognizing a net asset under IAS 19.

Changes in provisions for pension and related benefits recognized in the statement of financial position can be broken down as follows:

in € millions	Asset	Liability	Total
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 of 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)**
Translation gains and losses	(0.2)	(13.9)	(14.1)
Actuarial gains and losses (a)	(0.5)	(17.5)	(18.0)
Supplementary provision (IFRIC 14)(b)	0.0	1.2	1.2
Changes in scope of consolidation and other	6.4	(5.5)	0.9
Expense of the period (c)	(2.2)	(46.4)	(48.6)
Contributions	6.4	34.2	40.6
Balance at December 31, 2010	**18.7**	**(490.7)**	**(472.0)**

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

Plan assets are presented in the statement of financial position under current and non-current assets as "Other assets".

The cost for the period was €48.6 million in 2010 versus €46.6 million in 2009. The components of this cost relating to defined contribution plans are presented in 17.3.3.

Net accumulated actuarial gains and losses recognized in shareholders' equity were -€93.0 million at December 31, 2010 versus -€91.4 million at December 31, 2009. They are disclosed here excluding translation gains and losses, the latter being shown separately in the statement of comprehensive income.

in € millions	Dec. 31, 2010	Dec. 31, 2009
Opening balance	**(91.4)**	**(90.5)**
Actuarial gains and (losses) generated during the year (a)	(16.8)	(4.8)
Scope effects	15.2	3.9
Closing balance	**(93.0)**	**(91.4)**

(a) Including supplementary provision and write-back per IFRIC 14

Scope effects recorded for 2010 correspond mainly to actuarial gains and losses being recycled to reserves on the date that Agbar was taken over by SUEZ ENVIRONNEMENT in accordance with IAS 1 – *Presentation of financial statements.*

17.3.2. Change in the amount of obligations and plan assets.

The table below shows the amount of present benefit obligation and plan assets of the SUEZ ENVIRONNEMENT COMPANY Group, the changes to these over the periods concerned, as well as a reconciliation with the amounts recognized in the statement of financial position.

in € millions		December 31, 2010				December 31, 2009			
		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 log term benefits (c)	TOTAL
Change in projected benefit obligation									
Projected benefit obligation at January 1, 2010		**(779.9)**	**(165.6)**	**(15.8)**	**(961.3)**	**(730.9)**	**(170.5)**	**(14.7)**	**(916.1)**
Service cost		(26.3)	(5.7)	(1.1)	**(33.1)**	(22.5)	(5.3)	(0.9)	**(28.7)**
Interest cost		(41.8)	(9.4)	(0.9)	**(52.1)**	(39.8)	(8.6)	(0.8)	**(49.2)**
Contributions paid		(2.0)	0.0	0.0	**(2.0)**	(2.4)	0.0	0.0	**(2.4)**
Amendments		0.0	0.0	0.0	**0.0**	(2.8)	(1.8)	(0.1)	**(4.7)**
Acquisitions/Disposals of subsidiaries		(183.7)	(0.9)	(0.3)	**(184.9)**	18.6	0.0	0.0	**18.6**
Curtailments/settlements		198.0	0.4	0.2	**198.6**	2.9	0.0	0.3	**3.2**
Special terminations		0.0	0.0	0.0	**0.0**	(0.3)	0.0	(0.5)	**(0.8)**
Actuarial gains and losses		(33.8)	(5.8)	(1.3)	**(40.9)**	(43.9)	12.0	(0.3)	**(32.2)**
Benefits paid		34.9	6.5	1.6	**43.0**	34.0	6.1	1.2	**41.3**
Other		(21.0)	(6.2)	(0.2)	**(27.4)**	7.2	2.5	0.0	**9.7**
Projected benefit obligation at Dec. 31 2010	A	**(855.6)**	**(186.7)**	**(17.8)**	**(1,060.1)**	**(779.9)**	**(165.6)**	**(15.8)**	**(961.3)**
Change in fair value of plan assets									
Fair value of plan assets at Jan. 1		**495.4**	**34.9**	**0.0**	**530.3**	**470.5**	**31.0**	**0.0**	**501.5**
Expected return on plan assets		31.7	2.8	0.0	**34.5**	29.8	2.4	0.0	**32.2**
Contributions received		34.3	6.8	1.6	**42.7**	29.1	6.4	1.2	**36.7**
Acquisitions/Disposals of subsidiaries		187.7	(1.7)	0.0	**186.0**	(12.6)	0.0	0.0	**(12.6)**
Curtailments/settlements		(195.2)	0.0	0.0	**(195.2)**	(2.3)	0.0	0.0	**(2.3)**
Actuarial gains and losses		14.3	7.3	0.0	**21.6**	19.5	2.4	0.0	**21.9**
Benefits paid		(34.9)	(6.5)	(1.6)	**(43.0)**	(34.0)	(6.2)	(1.2)	**(41.4)**
Other		11.0	2.7	0.0	**13.7**	(4.6)	(1.1)	0.0	**(5.7)**
Fair value of plan assets at Dec. 31 2010	B	**544.3**	**46.3**	**0.0**	**590.6**	**495.4**	**34.9**	**0.0**	**530.3**
Funded status	A+B	**(311.3)**	**(140.4)**	**(17.8)**	**(469.5)**	**(284.5)**	**(130.7)**	**(15.8)**	**(431.0)**
Unrecognized past service cost		7.8	(10.3)	0.0	**(2.5)**	9.1	(11.0)	0.0	**(1.9)**
Limit on defined benefit assets (IAS 19 Sect. 58B)		0.0	0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Supplementary provision (IFRIC 14)		0.0	0.0	**0.0**	**0.0**	(1.1)	0.0	0.0	**(1.1)**
Net benefit obligation		**(303.5)**	**(150.7)**	**(17.8)**	**(472.0)**	**(276.5)**	**(141.7)**	**(15.8)**	**(434.0)**
Total liabilities		**(322.2)**	**(150.7)**	**(17.8)**	**(490.7)**	**(285.3)**	**(141.7)**	**(15.8)**	**(442.8)**
Total assets		**18.7**	**0.0**	**0.0**	**18.7**	**8.8**	**0.0**	**0.0**	**8.8**

(a) Pensions and retirement bonuses.

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

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

Disposals in 2009 corresponded primarily to LondonWaste, a subsidiary of SITA UK. In 2010, acquisitions and disposals relate mainly to the takeover of Agbar and the unwinding of the joint investments with Veolia-Eau in France. Both transactions are described in Note 2.

The net actuarial loss of €19.3 million in 2010 (of which €18.0 million was recognized in Other Comprehensive Income and €1.3 million in the incomestatement) includes a €47.0 million loss linked to the change in the discount rate and inflation rate since December 31, 2009.

17.3.3 Components of cost for the period

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

in € millions	**Fiscal year 2010**	**Fiscal year 2009**
Current service cost	(33.1)	(28.7)
Interest cost	(52.1)	(49.2)
Expected return on plan assets	34.5	32.2
Actuarial gains or losses	(1.3)	(0.3)
Past service cost	0.0	(0.2)
Gains or losses on pension plan curtailments, terminations and settlements	3.4	0.7
Special terminations	0.0	(1.1)
Total	**(48.6)**	**(46.6)**
Of which recognized in current operating income	(31.0)	(29.6)
Of which recognized in financial income/(loss)	(17.6)	(17.0)

17.3.4 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.

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:

	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past services	Limit on defined benefit assets and supplementary provision	**Total net obligation**
Underfunded plans	(720.2)	400.8	2.0	0.0	(317.4)
Overfunded plans	(171.1)	189.8	0.0	0.0	18.7
Unfunded plans	(168.8)	0.0	(4.5)	0.0	(173.3)
Total December 31, 2010	**(1,060.1)**	**590.6**	**(2.5)**	**0.0**	**(472.0)**
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 December 31, 2009	**(961.3)**	**530.3**	**(1.9)**	**(1.1)**	**(434.0)**

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

	2010	**2009**
Equities	38%	38%
Bonds	56%	54%
Real Estate	1%	1%
Other (including money market securities)	5%	7%
Total	**100%**	**100%**

17.3.5 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-tem benefits**		**Total benefit obligation**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Discount rate	**4.7%**	5.2%	**4.7%**	4.9%	**4.2%**	4.8%	**4.7%**	5.1%
Estimated future increase in salaries	**3.6%**	3.6%	**3.7%**	3.9%	**3.0%**	3.5%	**3.6%**	3.6%
Expected return on plan assets	**5.8%**	6.5%	**7.2%**	7.8%	**-**	-	**5.9%**	6.6%
Average remaining working lives of participating er	**17 yrs**	14 yrs	**14 yrs**	15 yrs	**15 yrs**	13 yrs	**17 yrs**	14 yrs

Discount and salary increase rates are shown including inflation.

17.3.5.1. Discount rates

The discount rate used is determined by reference to the yield at the measurement date on investment grade corporate bonds with similar maturities to the obligation.

The rates used for 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 Government bond rates and the spread between those and AA corporate bond rates.

17.3.5.2. 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.

17.3.5.3. Other assumptions

The assumptions used for healthcare cost trend rates (including inflation) are 5.1% for 2011, 4.9% for 2012 and 4.7% for 2013. These assumptions are used for the valuation of other employees' benefits.

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

in € millions	Increase of one point	Reduction of one point
Impact on expenses	2.7	(2.1)
Impact on other post-employment benefits	28.5	(22.6)

17.3.5.4. 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, 2010		December 31, 2009		December 31, 2008	
in € millions		Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Projected benefit obligation	a	(855.6)	(204.5)	(779.9)	(181.4)	(730.9)	(185.2)
Fair value of plan assets	b	544.3	46.3	495.4	34.9	470.5	31.0
Funded Status	a+b	(311.3)	(158.2)	(284.5)	(146.5)	(260.4)	(154.2)
Experience adjustments to projected benefit obligations	c	10.1	0.1	(14.4)	(3.1)	(0.5)	(1.4)
Experience adjustments to fair value of plan assets	c	14.3	7.3	19.5	2.4	(104.9)	(11.5)
as a % of projected benefit obligation	*c/a*	*-3%*	*-4%*	*-1%*	*0%*	*14%*	*7%*

		December 31, 2007		December 31, 2006	
in € millions		Pensions	Other benefit obligations	Pensions	Other benefit obligations
Projected benefit obligation	a	(756.1)	(162.0)	(818.0)	(176.5)
Fair value of plan assets	b	583.8	38.1	587.5	37.8
Funded Status	a+b	(172.3)	(123.9)	(230.5)	(138.7)
Experience adjustments to projected benefit obligations	c	10.2	8.7	0.1	3.0
Experience adjustments to fair value of plan assets	c	2.8	1.3	7.5	0.6
As a % of projected benefit obligation	*c/a*	*-2%*	*-6%*	*-1%*	*-2%*

For the experience adjustments presented above, gains are shown as positive values and losses as negative values. The sign convention is the same as in Note 17.3.2.

<u>17.3.6 Geographical breakdown of obligations</u>

In 2010, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

in € millions	Euro Zone		United Kingdom		United States		Rest of the world	
	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Funded status (a)	(167.8)	(77.0)	(25.7)	-	(83.9)	(42.2)	(33.9)	(39.0)
Discount rate	4.3%	4.3%	5.5%	-	5.5%	5.5%	4.5%	4.5%
Estimated future increase in salaries	3.8%	3.1%	4.3%	-	3.1%	3.1%	3.0%	5.9%
Expected return on plan assets	4.4%	4.4%	5.9%	-	8.6%	8.6%	6.9%	3.7%
Average remaining working lives of participating employees	17 yrs	13 yrs	10 yrs	-	13 yrs	14 yrs	12 yrs	13 yrs

(a) Funded status corresponds to the difference between the present benefit obligation and the fair value of the plan assets.

17.3.7 Payments due in 2011

The Group expects to contribute approximately €58.5million to its defined benefit plans in 2011.

17.4 DEFINED CONTRIBUTION PLANS

During the course of 2010, the SUEZ ENVIRONNEMENT COMPANY Group recorded a €57.5 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 "Other assets" and "Other payables," respectively.

in € millions	Dec. 31, 2010	Dec. 31, 2009
Amounts due from customers under construction contracts	109.3	113.8
Amounts due to customers under construction contracts	259.7	200.4
Net position	**(150.4)**	**(86.6)**

Contracts in progress at closing date:

in € millions	Dec. 31, 2010	Dec. 31, 2009
Cumulated cost incurred and margins recognized	4,286.6	3,422.5
Advances received	90.5	96.2
Retentions	89.9	21.9

The material increase in costs incurred and margins recognized on construction contracts is due mainly to the impact of the contract for the construction of a desalination plant near Melbourne, Australia. This contract which is managed within the scope of Degrémont generated a €420 million increase versus 2009.

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 leases entered into by the Group concern the incineration plants of Novergie and Torre Agbar as a result of Agbar taking over in 2010 the rights and obligations of the finance lease previously linking Azurelau to Caixa, the owner and financial leaseholder of the building.

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

in € millions	**Future minimum lease payments at Dec. 31, 2010**		**Future minimum lease payments at Dec. 31, 2009**	
	Undiscounted value	**Present value**	**Undiscounted value**	**Present value**
During year 1	83.2	81.7	60.7	59.2
During years 2 to 5 inclusive	276.1	258.1	218.2	199.6
Beyond year 5	318.5	253.4	259.8	185.5
Total future minimum lease payments	**677.8**	**593.2**	**538.7**	**444.3**

NOTE 20 – OPERATING LEASES

Operating lease income and expenses recognized for the 2010 and 2009 fiscal years break down as follows:

in € millions	**December 31, 2010**	**December 31, 2009**
Minimum lease payments	(235.7)	(238.5)
Contingent lease payments	(22.4)	(26.2)
Sub-letting income	0.0	0.0
Sub-letting expense	(6.2)	(2.9)
Other operating lease expenses	(24.5)	(7.6)
Total	**(288.8)**	**(275.2)**

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

in € millions	**December 31, 2010**	**December 31, 2009**
During year 1	152.3	115.5
During years 2 to 5 inclusive	338.0	258.1
Beyond year 5	263.6	225.9
Total	**753.9**	**599.5**

The increase in this item relates to the change in the consolidation method used for Agbar as well as new infrastructure and facilities leasing contracts in the United Kingdom, Australia and Central Europe.

NOTE 21 – SERVICE CONCESSION ARRANGEMENTS

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

IFRIC 12 Service Concession Arrangements, 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 and/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 include 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 SUEZ ENVIRONNEMENT COMPANY 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. The replacement liability amounted to €352.9 million at December 31, 2010 versus €320.3 million at December31, 2009 and is classified as "Other liabilities".

Services are generally billed at a fixed price which is index-linked for the duration of the contract. However, contracts 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	**Dec 31, 2010**	**Dec 31, 2009**
Impact on income statement	**(119.0)**	**(128.8)**
provisions for income tax	8.3	21.6
deferred tax	(176.1)	(103.4)
change in taxes payable and other (a)	(68.8)	95.7
Impact on cash flow statement (tax paid)	**(355.6)**	**(114.9)**

(a) For 2010 this mainly concerns a payment by Lydec to the local tax authorities in respect of a tax reassessment. For 2009, this mainly concerns the repayment 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	**Dec 31, 2010**	**Dec 31, 2009**
Impact on income statement	**(413.6)**	**(260.0)**
Changes in amortized cost	13.1	105.1
Impact of exchange rate and changes in fair value	8.8	(8.5)
Unwinding of discounting adjustments to long term provisions	44.8	25.2
Other	(1.9)	(7.3)
Impact on cash flow table restated for balance sheet changes	**(348.8)**	**(145.6)**

NOTE 23 – SHARE-BASED PAYMENTS

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

	Note	(Expense) for the period 2010	2009
Stock-option plans	23.1.	**(14.2)**	**(14.0)**
Performance share plans	23.2.	**(0.9)**	**(11.9)**
Worldwide financial incentive scheme	23.3.	**(12.6)**	**(25.8)**
Employees share issues	*23.4.*	**(9.1)**	**(1.6)**
of which Employees share issues (a)		*(7.8)*	*0.0*
of which grant of bonus shares		*(0.4)*	*(0.3)*
of which Share Appreciation Rights (b)		*(0.9)*	*(1.3)*
Exceptional bonus (c)	*23.5.*	**(1.4)**	**(3.3)**
		(38.2)	**(56.6)**

(a) In 2010, this cost relates to the GDF SUEZ employee share issue to which the employees of the SUEZ ENVIRONNEMENT COMPANY Group were eligible;
(b) Share appreciation rights issued in the context of employee share issues, in certain countries. The impact is shown before hedging by warrants.
(c) The exceptional bonus is included in EBITDA.

The difference between the (€38.2) million expense recognized in 2010 and the (€56.6) million expense recognized in 2009 is due to:

- the reversal of expenses recognized in previous periods, due to performance conditions not having been met on certain share allocation plans (see 23.2.3 and 23.3.2);
- the GDF SUEZ Group implementing an employee share issue plan (see 23.4).

23.1 STOCK OPTION PLANS

23.1.1 Grants in 2010

SUEZ ENVIRONNEMENT COMPANY plan of December 16, 2010.

At its meeting of December 16, 2010, the SUEZ ENVIRONNEMENT COMPANY Board of Directors in accordance with the decision of the Shareholders' Meeting of May 26, 2009, resolved to implement a stock option plan, the primary objective of which was to give management and senior officers as well as high-potential managers a stake in the company's growth and the creation of shareholder value. It would also contribute to increasing the loyalty of the management teams.

The Board of Directors therefore resolved to allocate 2,944,200 stock options to 977 beneficiaries at an exercise price of €14.20. The grant was subjectto a four-year service condition and also to certain performance conditions. Two performance conditions apply based on the beneficiary's profile (see below):

- a market performance condition contingent upon SUEZ ENVIRONNEMENT COMPANY's share price performance against the average performance of the CAC 40 and Eurostoxx Utilities indexes, for the period ranging from December 15, 2010 to December 15, 2014.

- a non-market performance condition contingent upon the Group's cumulative recurring net income between 2010 and 2013 inclusive.

For SUEZ ENVIRONNEMENT COMPANY Chief Executive Officer, both of the above conditions apply to any options. For other beneficiaries, the above conditions apply to some or all allocations, depending on their hierarchical position.

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	Exercise price	Balance to be exercised 12/31/2009	Exercised**	Granted	Cancelled or Expired	Balance to be exercised 12/31/2010	Expiration date	Residual life
12/17/2009	5/26/2009	12/17/2013	15.49	3,464,440	0	0	29,992	3,434,448	12/16/2017	7.0
12/16/2010	5/26/2009	12/16/2014	14.20	0	0	2,944,200	0	2,944,200	12/15/2018	8.0
TOTAL				**3,464,440**	**0**	**2,944,200**	**29,992**	**6,378,648**		

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

The average share price for SUEZ ENVIRONNEMENT COMPANY in 2010 was €14.65.

SUEZ and GDF SUEZ plans

Plan		Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Exercise price (adjusted)	Balance to be exercised 12/31/2009	Exercised**	Granted	Cancelled or Expired	Balance to be exercised 12/31/2010	Expiration date	Excercable à la fin de la période	Residual life
11/19/2003	*	05/04/2001	11/19/2007	12.39	763,256	102,344	0	3,282	657,630	11/18/2011	763,256	0.9
11/17/2004	*	04/27/2004	11/17/2008	16.84	2,265,312	247,291	0	2,157	2,015,864	11/16/2012	2,265,312	1.9
12/09/2005	*	04/27/2004	12/09/2009	22.79	1,897,767	110,206	0	9,720	1,777,841	12/09/2013	1,897,767	2.9
01/17/2007		04/27/2004	01/16/2011	36.62	1,652,809	0	0	12,724	1,640,085	01/16/2015	0	4.1
11/14/2007		05/04/2007	11/13/2011	41.78	1,306,720	0	0	13,069	1,293,651	11/13/2015	0	4.9
11/12/2008		07/16/2008	11/12/2012	32.74	1,066,600	0	0	11,670	1,054,930	11/11/2016	0	5.9
11/10/2009		05/04/2009	11/10/2013	29.44	399,784	0	0	46,567	353,217	11/09/2017	0	6.9
TOTAL					**9,352,248**	**459,841**	**0**	**99,189**	**8,793,218**			

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

The average share price of GDF SUEZ in 2010 was €2588.

The provisions corresponding to the various plans prior to 2010 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.1.3. Fair value of allocated options

The fair value of the options granted under the SUEZ ENVIRONNEMENT COMPANY plan of December 16, 2010 has been measured using a binomial model. The following assumptions were applied:

- volatility of 26.0%
- a 4-year risk-free rate of 2.07%
- a statutory annual dividend of €0.65

The volatility of SUEZ ENVIRONNEMENT COMPANY shares was determined on the basis of the historical volatility of comparable entities over a comparable period, in accordance with IFRS 2, with a cap applied to the 5% extreme values.

A Monte Carlo model was used to assess the market conditions surrounding some of the allocated options. The following assumptions were applied in addition to those cited above:

- Correlation between SUEZ ENVIRONNEMENT COMPANY share price and the Eurostoxx Utilities index: 67%
- Correlation between SUEZ ENVIRONNEMENT COMPANY share price and the CAC 40 index: 61%
- Correlation between the CAC 40 and Eurostoxx Utilities indices: 80%
- Volatility of the Eurostoxx Utilities index: 17%
- Volatility of the CAC 40: 19%
- Index dividend rate: 3.5%

The resulting fair value of the options is:

- €3.13 for options without the market performance condition;
- €2.79 for options with the market performance condition.

23.1.4. Impact on the Income Statement

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

in € millions		(Expense) for the period	
		2010	2009
SUEZ plan	12/09/2005	0.0	(3.0)
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)	(2.1)
GDF SUEZ Plan	11/10/2009	(0.6)	(0.1)
SUEZ ENVIRONNEMENT COMPANY Plan	12/17/2009	(2.7)	(0.1)
SUEZ ENVIRONNEMENT COMPANY Plan	12/16/2010	(0.1)	0.0
TOTAL		**(14.2)**	**(14.0)**

23.1.5 Share Appreciation Rights (SAR) plans

U.S. employees have had Share Appreciation Rights since 2007 in place of the SUEZ and later GDF SUEZ stock option plans. They had no material impact on the Group's financial statements.

23.2. PERFORMANCE SHARE PLANS

23.2.1 Grants in 2010

SUEZ ENVIRONNEMENT COMPANY Plan of December 16, 2010.

The Board of Directors, at its meeting of December 16, 2010, as ratified by the Shareholders' Meeting of May 20, 2010, granted 829,080 performance shares to 2,124 beneficiaries. This plan supplements the stock option plan agreed at the same meeting and serves the same objectives. The vesting of these shares by the beneficiaries requires remaining with the company through a vesting period ranging from two to four years depending on the country and the beneficiary. The shares are also subject to a two-year lock-in period in France. Vesting is also conditional on performance.

For the 977 beneficiaries also receiving stock-options, two conditions apply based on the beneficiary's profile (see below):

- a market performance condition contingent upon SUEZ ENVIRONNEMENT COMPANY's share market performance against the average performance of the CAC 40 and Eurostoxx Utilities indexes, for the period ranging from December 15, 2010 to December 15, 2014.

- a non-market performance condition contingent upon the Group's cumulative recurring net income between 2010 and 2013 inclusive

For SUEZ ENVIRONNEMENT COMPANY Chief Executive Officer, both conditions apply for any shares. For other beneficiaries also qualifying for stock options, the conditions apply to some or all allocations and depend on their hierarchical position.

For the 1,147 beneficiaries who do not receive stock-options but only performance shares, all allocated shares are subject to an internal performance condition relating to the Group's EBITDA between 2011 and 2012 inclusive.

GDF SUEZ Plan of January 20, 2010.

To extend the SUEZ ENVIRONNEMENT COMPANY plans, and taking into account its shareholder relationships with GDF SUEZ, the GDF SUEZ Board of Directors on January 20, 2010 approved the allocation of 9,660 performance shares to SUEZ ENVIRONNEMENT COMPANY Chief Executive Officer. Vesting is conditional on being in service in the GDF SUEZ Group on March 14, 2012 as well as on a share lock-in period to March 14, 2014. The plan is also subject to the following performance conditions:

- Non-market performance condition relating to GDF SUEZ Group EBITDA in 2011 (for half of the allocated shares);
- Market performance condition relating to the GDF SUEZ share price against the Eurostoxx Utilities Index during the vesting period (for the other half of the allocated shares).

The provisions corresponding to the various plans prior to 2010 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

23.2.2. Fair value of allocated shares

The fair value of bonus share plans is estimated based on the share price on the grant 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 achieving its internal performance conditions. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For shares subject to market performance conditions, market performance is measured using Monte Carlo simulations.

The following assumptions were used for the SUEZ ENVIRONNEMENT COMPANY plan of December 16, 2010. For its valuation in accordance with IFRS 2, the plan breaks down into five types of instruments, based on the length of the vesting period (two or four years), whether or not there is a two-year lock-in period and whether or not it includes a market performance condition.

Grant date	Vesting date	End of lock-in period	Share price on grant date	Expected dividend rate	Financing cost for the employee	Cost of the restriction on availibility (lock-in) (€/share)	Market performance condition	Fair value per share
12/16/2010	02/28/2013	1/3/2015	€ 15.3	4%	6.1%	-€ 0.9	no	**€ 13.2**
12/16/2010	12/15/2014	12/16/2016	€ 15.3	4%	6.1%	-€ 0.6	yes	**€ 7.6**
12/16/2010	12/15/2014	12/16/2016	€ 15.3	4%	6.1%	-€ 0.6	no	**€ 12.3**
12/16/2010	12/15/2014	-	€ 15.3	4%	6.1%	-	yes	**€ 7.9**
12/16/2010	12/15/2014	-	€ 15.3	4%	6.1%	-	no	**€ 12.8**
Weighted average fair value								**€ 11.6**

The following assumptions were used for the GDF SUEZ plan of January 20, 2010. For its valuation in accordance with IFRS 2, the plan breaks down into two types of instruments, with and without a market performance condition.

Grant date	Vesting date	End of lock-in period	Share price on grant date	Expected dividend rate	Financing cost for the employee	Cost of the restriction on availibility (lock-in) (€/share)	Market performance condition	Fair value per share
01/20/2010	03/14/2012	03/14/2012	€ 28.7	6%	6.7%	-€ 1.9	no	**€ 23.7**
01/20/2010	03/14/2012	03/14/2012	€ 28.7	6%	6.7%	-€ 1.9	yes	**€ 13.4**
Weighted average fair value								**€ 18.6**

23.2.3. Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets have not been met in full, the number of shares granted to employees is reduced in accordance with the plan rules. Any such change in the number of shares produces a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year end. In 2010, a profit of €5.7 million was recognized for the December 2007 SUEZ performance share plans to cancel the expenses recognized in previous years.

23.2.4. Impact on the Income Statement

SUEZ ENVIRONNEMENT COMPANY plans

			(Expense) for the period	
	Number of shares granted	weighted average fair value	2010	2009
December 2009	173,852	€ 12.3	(0.8)	0.0
December 2010	829,080	€ 11.6	(0.1)	0.0
TOTAL			**(0.9)**	**0.0**

SUEZ and GDF SUEZ plans

			(Expense) for the period	
	Number of shares granted	weighted average fair value	2010	2009
February 2007	334,156	€ 36.0	0.0	(1.1)
November 2007	396,042	€ 42.4	4.9	(6.8)
June 2008	24,740	€ 37.8	(0.1)	(0.3)
November 2008	357,034	€ 28.5	(3.5)	(3.5)
November 2009	146,656	€ 24.8	(1.2)	(0.2)
January 2010	9,660	€ 18.6	(0.1)	
TOTAL			**0.0**	**(11.9)**

For the November 2007 plan, the net profit of €4.9 million includes the reversal of the €5.7 million expense as presented in Section 23.2.3.

23.3. WORLDWIDE INCENTIVE SCHEME

23.3.1. Description of current plans

A worldwide 3-year 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 satisfying certain conditions, every employee was allocated bonus SUEZ shares in 2007 and 2008. In 2009 the employees of SUEZ ENVIRONNEMENT COMPANY were granted 30 bonus shares by the Board of Directors of SUEZ ENVIRONNEMENT COMPANY on June 25, 2009, and eight GDF SUEZ shares by the GDF SUEZ Board of Directors on July 8, 2009. This impacted some 68,000 employees. The members of the Management Committee waived the latter allocation. This agreement ended with the 2009 tranche and there was no grant in 2010.

23.3.2. Review of internal performance conditions

In addition to the service condition, the 2007 and 2008 allocations include an internal performance condition. If the performance condition is not satisfied, the number of allocated shares is reduced in accordance with plan rules. This reduction in the number of shares is reflected in a reduction in the total plan expense in accordance with IFRS 2. Performance conditions are reviewed at each year end. In 2010, a profit of €6.8 million was recognized for the June 2008 tranche of the SUEZ share incentive plan to cancel the expenses recognized in previous years.

23.3.3. Impact on the Income Statement

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

SUEZ ENVIRONNEMENT COMPANY plans

			(Expense) for the period	
	Number of shares granted	weighted average fair value	2010	2009
June 2009	2,040,810	9.6	(7.0)	(3.4)
TOTAL			**(7.0)**	**(3.4)**

SUEZ and GDF SUEZ plans

			(Expense) for the period	
	Number of shares granted	weighted average fair value	2010	2009
July 2007	838,684	37.8	(3.5)	(7.8)
June 2008	928,725	39.0	1.7	(12.8)
July 2009	544,216	19.7	(3.8)	(1.8)
TOTAL			**(5.6)**	**(22.4)**

For the June 2008 plan, a net profit of €1.7 million includes the reversal of the €6.8 million expense as presented in Section 23.2.3.

23.4 EMPLOYEE SHARE ISSUES

23.4.1. Description of plans available in 2010

In extending past plans and in view of the shareholder relationships between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY the employees of the Group participated in a GDF SUEZ global employee shareholder plan called "LINK 2010". It involves an increase in GDF SUEZ capital that is restricted to employees and offers the following three options:

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

- Multiple LINK: under this plan, employees may subscribe to SUEZ shares, either directly or via an employee investment fund, at lower than current market prices. The plan also entitles them to benefit from the positive performance of SUEZ shares (leverage effect) at the end of the mandatory holding period;

- Share Appreciation Rights (SAR): this leveraged plan allows employees to buy a GDF SUEZ 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 Classic LINK plan also permitted employer contributions under the following conditions:

For French shareholders, GDF SUEZ shares were offered free of charge depending on the individual's personal contribution to the plan:

- for the 10 first shares subscribed, 1 free bonus share is offered for each share subscribed;

- for every 4 shares over and above 10 shares subscribed, one free bonus share is offered up to a maximum of 10 bonus shares for this tranche.

For employees of any other country, GDF SUEZ offers GDF SUEZ shares via a bonus share plan based on a service requirement and personal contribution to the plan:

- for the first 10 shares subscribed, 1 free bonus share is offered per share subscribed;

- for every 4 shares over and above 10 shares subscribed, one free share is offered up to a maximum of 10 bonus shares for this tranche.

In both cases, there is a ceiling of 20 free bonus shares offered per employee for 50-share subscribed. The free shares will be offered to employees on August 24, 2015 provided they are still employed by the GDF SUEZ Group on April 30, 2015.

The provisions corresponding to the various plans prior to 2010 are described in previous SUEZ, and subsequently GDF SUEZ, Reference Documents.

23.4.2. Accounting impact

23.4.2.1. Capital increase and employer contribution in France

The subscription price for the 2010 plan is defined as the GDF SUEZ average opening share price on the Eurolist of NYSE Euronext Paris over the 20 days preceding the date of the Chairman & CEO of GDF SUEZ's decision setting the start of the subscription/rejection period, less 20%, which is €19.78.

Pursuant to IFRS 2, an expense is recognized in the books of SUEZ ENVIRONNEMENT COMPANY against equity even though the shares are issued and delivered by GDF SUEZ. With respect to discount, the book expense of the Classic and Multiple Link plans corresponds to the difference between the fair value of the subscribed share and the subscription price. The fair value takes into account the 5-year lock-in period, required by French law, as well as, for the MULTIPLE LINK, the opportunity gain implicitly borne by GDF SUEZ in allowing its employees to benefit from more advantageous pricing that they could obtain as ordinary private investors. The employer's contribution was distributed by GDF SUEZ in the form of shares. For these shares, the valuation model is the same as that described for performance shares in 23.2.2.

The following assumptions are used:
- 5-year risk-free interest rate: 1.92%
- Retail banking spread: 3.20%
- Financing rate for an employee: 5.12%
- Cost of securities lending: 1.0%
- Share price on grant date: €25.09
- Volatility spread: 6.0%

The result is a total cost of €7.8 million for 2010

		Link Classic	Link Multiple	Employer contribution in France	Total
Amount subscribed (€ millions)		11.1	98.1	2.3	111.5
Number of shares subscribed (millions)	(a)	0.6	4.9	0.1	5.6
discount (€/share)	*b1*	5.0	5.0	25.1	
lock-in cost for the employee (€/share)	*b2*	(5.3)	(5.3)	(5.4)	
measure of opportunity gain (€/share)	*b3*	0.0	1.5	0.0	
Total benefit granted to employees (€/share subscribed)	(b) = b1+b2+b3	0.0	1.2	19.7	
Book expense	**- a x b**	**0.0**	**(5.5)**	**(2.3)**	**(7.8)**

For the "Classic Link", the valuation of the benefit granted to employees, spontaneously negative, was capped at €0.

The valuation of the recognized expense depends on, among other factors, the financing rate of employees used and the increase in the opportunity gain. A 0.5 point rise in these rates would have the following impact on the recognized expense:

	Link Classic	Link Multiple	Employer contribution in France	Total
Sensitivity *(change in expense in € millions)*				
Increase in financing rate for employee +0.5%	0	3.4	0.1	3.5
Increase in opportunity gain +0.5%	0	-0.6	0	-0.6

23.4.2.2. Employer contribution outside of France

Outside of France, GDF SUEZ's employer contribution took the form of a bonus share allocation plan. The valuation model is the same as that described for performance shares in 23.2.2.

The following assumptions have been used:

Grant date	Vesting date	End of lock-in period	Share price on allocation date	Expected dividend rate	Financing cost for the employee	Cost of the restriction on availibility (lock-in) (€/share)	Market performance condition	Fair value per share
08/24/2010	04/30/2015	-	€ 25.1	6%	-	-	no	**€19.4**
weighted average fair value								**€19.4**

The recognized expense is as follows:

	Number of shares granted	Fair value per share	(Expense) for the period 2010	2009
SUEZ Plan Spring 2007 (August 2007)	46,056	32.1	(0.3)	(0.3)
GDF SUEZ Plan Link 2010 (August 2010)	44,464	19.4	(0.1)	0.0
TOTAL			**(0.4)**	**(0.3)**

23.4.2.3. Share Appreciation Rights (SAR)

The accounting impact of the cash-settled Share Appreciation Rights (SAR) consists in recognizing an expense against an employee payable over the vesting period of the rights. At December 31, 2010 the fair value of the debt relative to the 2007 and 2010 allocations was €0.5 million. The Spring 2005 plan matured on December 28, 2010. The fair value of the debt was determined using the Black & Scholes model.

The impact of the SAR on the income statement is an expense of (€0.9) of which (€0.2) million is for the SAR allocated under the LINK 2010 plan. The SARs are hedged by warrants that in 2010 generated an income of €1.2 million in the income statement. Over the full term of the plans (5 years), the total impact of the SAR is fully offset by the total impact of the warrants.

25.3 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. The plan provided for the payment of an exceptional bonus equal to the counter-value of four SUEZ shares at June 1, 2010, plus the gross dividends for the fiscal years 2005 to 2009 paid by May 31, 2010 at the latest. Since the merger of SUEZ and Gaz de France, the calculation is based on a basket consisting of one GDF SUEZ share and one SUEZ ENVIRONNEMENT COMPANY share. The plan matured June 1, 2010.

At June 1, 2010, the terminal value of the bonus was €141.60. As it is a cash-settled instrument, it is recognized as a debt to employees with the corresponding cost recorded in profit and loss over the vesting period. In 2010, an expense of (€1.4) million was recognized. The bonus payment was made between June 1 and September 1, 2010, depending on the subsidiary.

NOTE 24 – RELATED PARTY TRANSACTIONS

The aim of this note is to describe material transactions between the Group and its related parties. The Group has decided not to early apply IAS 24 Revised for the December 31, 2010 year end.

The compensation for key executives is disclosed under Note 25 – Executive compensation. The main subsidiaries (fully consolidated companies) are listed under Note 28 – List of the main consolidated companies at December 31, 2010. Only material transactions are described below.

24.1 TRANSACTIONS WITH GDF SUEZ AND RELATED ENTITIES

in € millions	**Dec. 31, 2010**	**Dec. 31, 2009**
Transactions with GDF SUEZ:		
Purchases/sales of goods and services	**(19.2)**	(19.9)
Non financial payables	**13.9**	15.2
Non financial receivables	**1.0**	1.3
Receivables carried at amortized cost(a)	**28.7**	30.3
Transactions with companies linked to GDF SUEZ:		
Purchases/sales of goods and services	**(18.2)**	(36.2)
Financial income	**30.4**	16.4
Financial expenses	**(70.2)**	(75.4)
Non financial receivables	**28.2**	30.8
Financial receivables	**0.0**	10.9
Non financial payables	**1.9**	5.1
Borrowings excluding financial instruments	**210.0**	1,939.2
Commodity derivatives (Liabilities)	**0.5**	16.7
Outstanding accrued interest	**0.3**	6.4
Net cash	**4.1**	661.5

(a) refer to note 2.2.1 of the 2009 Reference Document - Synthetic Argentinean Contract.

In 2010 the Group continued its policy to reduce its financial debt with companies related to GDF SUEZ. Initiated in 2009, this policy consists of the SUEZ ENVIRONNEMENT Group's commitment to repay its short-term loans from GDF SUEZ FINANCE, subsidiary of GDF SUEZ, within two years. Accordingly, in 2010, in addition to the repayments due, the SUEZ ENVIRONNEMENT Group made early repayment of its loans from GDF SUEZ in the amount of €642 million and current accounts in the amount of €335 million.

24.2 TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

In 2010, transactions with joint ventures and associates essentially included technical services within Degrémont, specifically concerning the contract to build a seawater desalination plant near Melbourne (€6 million) and the contract to build a wastewatertreatment plant in Chile (€5 million).

In 2009, transactions with joint ventures and associates essentially comprised exchanges of technical services within Degrémont totaling €11.7 million.

The Group also granted a loan of €141 million to SFWD (of which €10.4 million in 2010). SFWD is a company proportionately consolidated, at 50%. The "non-Group" share of €70.5 million was recognized under assets on the Group's consolidated statement of financial position.

NOTE 25 – EXECUTIVE COMPENSATION

The Group's key executives were the eight members of the Management Committee at December 31, 2010 (see Section 14.1.3. of this reference document).

Their compensation breaks down as follows:

In € millions	**Dec. 31, 2010**	**Dec. 31, 2009**
Short-term benefits	5.1	4.6
Post-employment benefit and other long-term benefits*	1.0	0.4
Share-based payments	2.3	2.7
TOTAL	**8.4**	**7.7**

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

NOTE 26 – LEGAL AND ARBITRATION PROCEEDINGS

The litigations and arbitrations presented below are recognized under liabilities or presented for information purposes. Beyond the litigations 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

Inspections by the European Commission

In April 2010 the European Commission conducted inspections at the premises of various French companies operating in the water and wastewater industry relating to their potential participation in practices contravening articles 101 and 102 of the Treaty on the Functioning of the European Union. Inspections were thus conducted at SUEZ ENVIRONNEMENT and Lyonnaise des Eaux.

An official seal on a door at Lyonnaise des Eaux was accidentally moved during the inspection.

On May 21, pursuant to chapter VI of Regulation (EC) 1/2003, the Commission decided to initiate proceedings against SUEZ ENVIRONNEMENT COMPANY in relation to this accident.

Within the framework of these proceedings, SUEZ ENVIRONNEMENT COMPANY actively cooperated and, with full transparency, communicated information relating to this unfortunate incident.

Pursuant to the aforementioned Regulation, on October 20, 2010 the Commission filed a claim against SUEZ ENVIRONNEMENT COMPANY and Lyonnaise des Eaux.

SUEZ ENVIRONNEMENT COMPANY and Lyonnaise des Eaux responded to the claim on December 8, 2010 without contesting that the seal had been moved accidentally.

26.2 LITIGATIONS AND ARBITRATIONS

In the normal course of its business, the Group is involved in a certain amount of litigations and arbitrations with third parties or with the tax administrations of certain countries. Provisions are recorded for these litigations and arbitrations 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 €266 million at December 31, 2010 (excluding litigations in Argentina).

Société des Eaux du Nord

Negotiations have been underway since 2008 between the Urban Community of Lille Metropole (LMCU) and Société des Eaux du Nord (SEN), a subsidiary of Lyonnaise des Eaux, as part of the five-year review of the drinking water distribution management contract. These negotiations relate mainly to amendments signed in 1996 and 1998 which are now being challenged by the local authority.

LMCU and SEN disagree over the challenging of these amendments. In order to resolve this old and technical issue, LMCU and SEN decided at the end of 2009, as provided in the contract, to submit the dispute to an independent arbitration commission. This commission chaired by Mr. Michel

Camdessus, former Managing Director of the International Monetary Fund, rendered his conclusions on March 30, 2010.

Despite the conclusions of the commission report, at the Community Council meetings of June 25, 2010, LMCU voted in favor of proposed unilateral amendments to the contract specifically to include a €115 million command of payment against SEN, which was issued on July 29, 2010.

Two appeals, calling for the annulment of the deliberations of June 25 and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6 by SEN and Lyonnaise des Eaux in its capacity as SEN shareholder.

Litigations in Argentina

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

En 2003, SUEZ—now GDF SUEZ—and its co-shareholders holding the water concessions for Buenos Aires and Santa Fe, 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 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 recognized its competence to rule on the two cases in 2006. The hearings for both disputes were held in 2007. 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 bankruptcy proceedings, a settlement proposal involving the novation of admissible liabilities of Aguas Argentinas was approved by creditors and ratified by the bankruptcy Court on April 11, 2008. The liabilities are currently being settled. The proposal provides for an initial payment of 20% (about US$40 million) upon ratification, and a second payment of 20% in the event of compensation by the Argentine government. As controlling shareholders, SUEZ and Agbar have decided to financially support Aguas Argentinas in making this first payment, upon ratification, paid 6.1 million and 3.8 million US dollars, respectively.

For the record, SUEZ and SUEZ ENVIRONNEMENT – prior to both the SUEZ-Gaz de France merger and the listing of SUEZ ENVIRONNEMENT COMPANY– agreed to the economic transfer, to SUEZ ENVIRONNEMENT, of the rights and obligations associated with the interests held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

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

In two decisions dated July 30, 2010, the ICSID recognized the liability of the Argentine government in cancelling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. Both decisions in principle will be followed by a final determination of the amount of compensation.

Novergie

Novergie Centre Est, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, used to operate an incineration plant in Gilly-sur-Isére 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 investigation chamber of the Lyon Court of Appeal 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 Court of Appeal upheld the dismissal of charges of endangering the lives of others for the Novergie employees.

Novergie Centre Est, realizing that the main perpetrators of the alleged violations would not be present at the criminal court hearing, sued X for contempt of Court and fraudulent arrangement of insolvency on September 28, 2010.

The case came before the Criminal Court on November 29, 2010 and the ruling has been set for May 23, 2011.

United Water (United States)

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 those 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 interests from United Water in the amount of US$65 million, as well as punitive damages and interests in the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

United Water considers it is not responsible for the floods or the maintenance of the dam and the reservoir and that the claims are unlikely to succeed. United Water filed a motion to dismiss in July 2009 on the basis that it had no obligation to operate the dam for flood prevention purposes. The motion was denied on August 27, 2009 and the dismissal confirmed on June 1, 2010. United Water has appealed against this decision.

The claim for punitive damages and interests was dismissed on December 21, 2009, and confirmed on February 11, 2010 following an appeal filed by the residents.
A new motion has been filed by the plaintiffs.

A decision on the substance of the case is expected towards the end of the first half of 2011.

This claim has been reported to the insurance companies.

On April 10, 1998, United Water Services Inc. and the Gary Sanitary District entered a 10-year contract for the operation and maintenance of a wastewater treatment plant. This contract was renewed for a further 5 years in May 2008.

On October 20, 2008, at the request of the Department of Justice (DOJ) of the State of Indiana, the facilities managed by United Water underwent an inspection with a view to seeking evidence of possible environmental damage.

Following these investigations the DOJ challenged the procedures used to take samples of effluents prior to discharge. The DOJ’s claim was completely rejected by United Water.
Moreover, the DOJ found no environmental damage and no intention on the part of United Water to circumvent the applicable regulations.

United Water and the DOJ held a number of meetings with a view to finding a solution acceptable to both parties and conclude the proceedings. In the autumn of 2010 the DOJ informed United Water that it was not prepared to reach an agreement.

On December 8, 2010 United Water Services Inc. and two of its employees were charged by a federal grand jury with failure to comply with the Clean Water Act.

A decision is not expected for another 9 to 12 months.

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. The plaintiffs claimed a loss of value in their homes, and requested 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 2007 in relation to the closure and capping of the landfill.

In August 2009, the city of Casey built a biogas proof protection wall around the landfill to contain migration.

SITA Australia was also sued directly by the plaintiffs on November 15, 2009 along with other parties.

Mediation proceedings organized by the parties in May 2010 found that the wall was not fully preventing biogas migration.
A second mediation hearing held in September 2010 was not able to decide on a technical solution or reach an agreement among the various parties.

As the mediation process has no power to impose an agreement, the dispute will be heard by the Supreme Court of the State of Victoria. The first hearing on responsibilities could occur in July 2011.

This claim has been reported to the insurance companies.

26.3 TAX LITIGATIONS

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 with a reassessment 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, the Administrative Court rendered its ruling on the fiscal years 1995 to 1998, reducing the amount of the claim to €21 million and cancelling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. The Appeal Court had already rendered its judgment for 1998 and subsequently for 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court, by Agbar for 1998 and by the Spanish government for 1995, 1996 and 1997.

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

Finally, in June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002 to 2004.

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 equipment and other assets relating to the delegations of public services financed by the relevant delegated entity.

In this context, notices of claims for reassessment have been received by Lyonnaise des Eaux, Société des Eaux de l'Essonne, Eau du Sud Parisien, Eau & Force, Société des Eaux du Nord, SERAM, Stéphanoise des Eaux, SDEI, SEVESC, Société Provencale des Eaux, Gaz et Eaux, Sogest and Société des Eaux de l'Est.

NOTE 27 – SUBSEQUENT EVENTS

Acquisition of WSN Environmental Solutions (Australia).

On the January 31st, 2011, SITA Environmental Solutions (SITA Australia) finalized the acquisition of WSN Environmental Solutions (WSN) for a total consideration price of €174 million.

NOTE 28 – LIST OF THE MAIN CONSOLIDATED COMPANIES AT DECEMBER 31, 2010 AND 2009

		% interest		% control		Consolidation methods	
Names	Headquarters address	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
SUEZ ENVIRONNEMENT COMPANY	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
WATER EUROPE							
LYONNAISE DES EAUX France	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - 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 (a)	25, rue Edouard-Delanglade 13006 Marseille - France	0.0	48.8	0.0	48.8		PC
EAUX DU NORD (a)	217, boulevard de la Liberté BP 329 59020 Lille - France	99.1	49.6	99.1	49.6	FC	PC
S.C.M. (SDEI)	988, chemin Pierre Drevet 69140 Rillieux la Pape - France	100.0	100.0	100.0	100.0	FC	FC
SOCIETE DES EAUX DE VERSAILLES ET DE SAINT-CLOUD (SEVESC) (a)	145, rue Yves Le Coz - BP518 - 78005 Versailles Cedex - France	100.0	50.0	100.0	50.0	FC	PC
HISUSA	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Spain	67.1	51.0	67.1	51.0	FC	PC
AGBAR (b)	Torre Agbar - Av.Diagonal, 211 08018 Barcelona - Spain	75.2	45.9	99.0	51.0	FC	PC
AGUAS ANDINAS (c)	Avenida Presidente Balmaceda 1398, Piso – 4, Santiago - Chile	21.3	13.0	50.1	51.0	FC	PC
EURAWASSER	Carl-Hopp-Strasse 1, D-18069 Rostock - Germany	100.0	100.0	100.0	100.0	FC	FC
ONDEO INDUSTRIAL SOLUTIONS	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - France	100.0	100.0	100.0	100.0	FC	FC
WASTE EUROPE							
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead, Berkshire SL6 1ES, United Kingdom	100.0	100.0	100.0	100.0	FC	FC
SE DEUTSCHLAND GmbH	Industriestrasse 161 D-50999, Köln, Germany	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, Netherlands	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	5 Avenue de la Metrologie - 1130 Haren - Belgium	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 - Sweden	100.0	100.0	100.0	100.0	FC	FC
SITA FINLAND OY AB	Sahaajankatu 49 - 00880 Helsinki - Finland	100.0	100.0	100.0	100.0	FC	FC

(a) Following the unwinding of the joint investments of Lyonnaise des Eaux and Veolia Environnement (see Note 2) the Group's holding in Eaux de Marseille was sold.

(b) Agbar is fully consolidated in the accounts of Hisusa, which is itself fully consolidated by SUEZ ENVIRONNEMENT COMPANY. See Note 2.

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

		% interest		% control		Consolidation methods	
Names	**Headquarters address**	**Dec. 2010**	**Dec. 2009**	**Dec. 2010**	**Dec. 2009**	**Dec. 2010**	**Dec. 2009**
	INTERNATIONAL						
SITA WASTE SERVICES	2801 Island Place Tower - 510 King's Road - North Point - Hong-Kong	100.0	100.0	100.0	100.0	FC	FC
SITA AUSTRALIA	PO Box 160, Kemps Creek NSW 2171 - Australia	60.0	60.0	60.0	60.0	FC	FC
SITA CZ	Konevova, 1107/54 - 130 00 Praha 3 - Czech Republic	100.0	100.0	100.0	100.0	FC	FC
BVK	Hybelota 16 65733 Brno - Czech Republic	46.3	46.3	46.3	46.3	EM	EM
UNITED WATER	200 Old Hook Road, Harrington Park New Jersey - United States	100.0	100.0	100.0	100.0	FC	FC
MACAO WATER	718 avenida do Conselheiro Borja Macao Via - Macao - China	42.5	42.5	Consolidated via SFH	Consolidated via 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 – Morocco	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 Africa n°8 - 10270 Jakarta - Indonesia	51.0	51.0	51.0	51.0	FC	FC
SE POLSKA	Ul. Kopernika, 17 - 02359 Warszawa - Poland	100.0	100.0	100.0	100.0	FC	FC
	OTHER						
SUEZ ENVIRONNEMENT SAS	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex - 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

29.1 FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS ASSUMED BY THE GROUP FOR FISCAL YEAR 2010

The accounting firms Ernst & Young and Mazars were Statutory Auditors for the SUEZ ENVIRONNEMENT COMPANY Group at December 31, 2010.

The following table shows the fees paid to the statutory auditors and members of their networks assumed by SUEZ ENVIRONNEMENT COMPANY and its consolidated subsidiaries during fiscal year 2010.

In € thousands	Ernst & Young		Mazars	
	Amount	%	Amount	%
Audit				
Statutory Auditors, attest engagements, review of individual and consolidated accounts [(1)]				
SUEZ ENVIRONNEMENT COMPANY SA	712	7.9%	669	18.4%
Fully and proportionately consolidated subsidiaries	6,806	75.1%	2,722	74.8%
Other audit procedures and incidental assigments in relation to Auditor's engagement to the Statutory Auditor's mission				
SUEZ ENVIRONNEMENT COMPANY SA	175	1.9%	43	1.2%
Fully and proportionately consolidated subsidiaries	1,086	12.0%	205	5.6%
Sub-total	**8,779**	**96.9%**	**3,639**	**100.0%**
Other services				
Tax	253	2.8%	1	0.0%
Other	30	0.3%	0	0.0%
Sub-total	**283**	**3.1%**	**1**	**0.0%**
TOTAL [(2)]	**9,062**	**100%**	**3,640**	**100%**

[(1)] the amounts relating to the Group's Internal Control audit totaled €668,000, €404,000 for Ernst & Young and €264,000 for Mazars

[(2)] the amounts relating to the entities consolidated proportionately, which largely involved tasks assigned to the Statutory Auditor's totaled €124,000. These fees were paid in full to Ernst & Young.

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

In € thousands	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 proportionately consolidated subsidiaries	6,458	76.7%	2,227	73.1%
❑ Other audit procedures and incidental assignments in relation to Auditor's engagement to the statutory auditor's mission				
○ SUEZ ENVIRONNEMENT COMPANY SA	269	3.2%	146	4.8%
○ Fully and proportionately 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, €572,000 for Ernst & Young and €213,000 for Mazars

(2) the amounts relating to the entities consolidated proportionately, which largely involved tasks assigned to the Statutory Auditor's totaled €353,000, €197,000 for Ernst & Young and €156,000 for Mazars.