REFERENCE DOCUMENT 2010

suez environnement

REFERENCE DOCUMENT 2010

INCORPORATION BY REFERENCE

Pursuant to Article 28 of European Regulation No. 809/2004 of April 29, 2004, this Reference Document incorporates by reference the following information:

- for the year ended December 31, 2009: Annual Report, Consolidated Accounts and the corresponding Statutory Auditors' Report included in Chapters 9, 20.1 and 20.2, respectively, of the Reference Document filed with the AMF on April 12, 2010 under number R.10-017;
- for the year ended December 31, 2008: Annual Report, Consolidated Accounts and the corresponding Statutory Auditors' Report included in Chapters 9, 20.1 and 20.2, respectively, of the Reference Document filed with the AMF on April 14, 2009 under number R.09-016;

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this Reference Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) on April 8, 2011, in accordance with the provisions of Article 212-13 of the General Regulations of the AMF under the number R.11-009. It may not be used in support of a financial transaction unless supplemented by an offering memorandum approved by the AMF. It has been prepared by the issuer and is binding on the signatories.

In accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code, this visa was granted after the AMF verified that "*the document is complete and comprehensible and that the information it contains is consistent*." It does not imply authentication by the AMF of the accounting and financial items presented.

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The elements of the Annual Financial Report are clearly identified in the sub-table of contents using the AFR pictograms AFR

NOTICE

The Company = SUEZ ENVIRONNEMENT COMPANY
The Group = The Company and its subsidiaries
The Reference Document serves as the management report (see concordance table)

This document is a free translation of French language Reference Document that received from the *Autorité des marchés financiers* (the "AMF") visa number R.11-009 on April 8, 2011. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of shareholders of SUEZ ENVIRONNEMENT COMPANY. No assurances are given as the accuracy or completeness of this translation, and SUEZ ENVIRONNEMENT COMPANY assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French Reference Document, the French version shall prevail.

1 PERSONS RESPONSIBLE FOR INFORMATION

1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Jean-Louis Chaussade, Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY.

1.2 DECLARATION OF THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

"I hereby certify, after taking all reasonable measures to that effect, that the information contained in this Reference Document is, to the best of my knowledge, accurate and does not include any omission that would distort its substance.

I certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial situation and results of the Company as well as of that of all the companies included in the consolidation, and that the management report enclosed presents a true and fair picture of the way in which business is developing, the results, and the financial situation of the Company and all the companies included in the consolidation, as well as a description of the main risks and uncertainties they face.

I have obtained an audit completion letter from the Statutory Auditors, in which they indicate that they have audited the information concerning the financial position and the financial statements presented in this Reference Document, and have read the entire document.

The consolidated financial statements for fiscal year ended December 31, 2010 presented in this document are the subject of a report by the Statutory Auditors in section 20.2, which contains two observations that do not put into question their opinion.

These observations apply, on the one hand, to the presentation of the financial statements according to the "pooling of interests" method, and on the other hand, to the impact of new standards, amendments and interpretations whose adoption is mandatory in 2010."

Jean-Louis Chaussade

Chief Executive Officer

2 STATUTORY AUDITORS

2.1 PRINCIPAL STATUTORY AUDITORS

- Ernst & Young et Autres
  41, rue Ybry
  92576 Neuilly sur Seine Cedex – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of December 21, 2007 for the remaining duration of the term of office of its predecessor, and expiring at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2011.

Represented by Charles-Emmanuel Chosson and Pascal Macioce (1).

- Mazars
  61, rue Henri Regnault – Tour Exaltis
  92400 Courbevoie – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of July 15, 2008, for a period of 6 years, and will expire at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2013.

Represented by Thierry Blanchetier and Isabelle Massa (2).

2.2 DEPUTY STATUTORY AUDITORS

- Auditex
  Faubourg de l'Arche
  92037 Paris La Défense Cedex – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of December 21, 2007 for the remaining duration of the term of office of its predecessor, and expiring at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2011.

- CBA
  61, rue Henri Regnault
  92400 Courbevoie – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of July 15, 2008, for a period of 6 years, and will expire at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2013.

(1) Ernst & Young et Autres is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

(2) Mazars is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

3 SELECTED FINANCIAL INFORMATION

The tables below present excerpts from the consolidated income statements, statements of financial position and cash flow statements of the Group for the years ended December 31, 2010, December 31, 2009 and December 31, 2008.

The selected financial information below should be read in conjunction with the consolidated financial statements in Section 20 of this Reference Document and with the financial review of the Group in Section 9 of this Reference Document.

KEY DATA FROM THE CONSOLIDATED INCOME STATEMENTS

In millions of euros	2010	2009	2008
Revenues	13,869.3	12,296.4	12,363.7
EBITDA (1)	2,339.4	2,059.9	2,101.9
Current Operating Income	1,024.8	926.0	1,059.1
Net income Group share	564.7	403.0	533.2

(1) The Group uses "Earnings Before Interest, Taxes, Depreciation and Amortization" (or EBITDA) to measure its operating performance and its ability to generate operating cash flows. EBITDA is not defined in IFRS and does not appear directly in the Group's consolidated income statement. The transition from current operating income to EBITDA is described in Section 9.2.1 of this Reference Document.

KEY DATA FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Non-current assets	18,395.0	13,683.2	13,132.5
Current assets	7,535.4	8,864.4	6,578.5
TOTAL ASSETS	**25,930.4**	**22,547.6**	**19,711.0**
Shareholders' equity, Group share	4,772.6	3,675.9	3,532.4
Non controlling interests	1,854.2	742.2	637.6
Other liabilities	19,303.6	18,129.5	15,541.0
TOTAL LIABILITIES	**25,930.4**	**22,547.6**	**19,711.0**

KEY DATA FROM THE CONSOLIDATED CASH FLOW STATEMENTS

In millions of euros	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Cash flows from / (used in) operating activities	1,889.6	1,605.7	1,532.2
Cash flows from / (used in) investing activities	(1,315.0)	(1,024.3)	(2,418.5)
Cash flows from / (used in) financing activities	(1,476.6)	457.7	1,154.5
TOTAL CASH FLOWS FOR THE PERIOD	**(885.2)**	**1,043.2**	**202.3**

4 RISK FACTORS

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4 RISK FACTORS

4.1 MAIN RISKS

Because of the broad range of its businesses, locations and products, the Group represents a portfolio of risks and opportunities of a financial, industrial and commercial nature. Its position as a key-player in the environmental sector and its ambitions for development also expose the Group to strategic risks which are particularly contingent on regulatory, climatic and industry developments in the segments in which it is involved.

The Group operates in a rapidly changing environment, triggering numerous risks, including some beyond its control. The Group presents hereafter the significant risks to which it believes it is exposed. The occurrence of any one of these risks could have a significant negative effect on the Group's business, financial position, or earnings, or its image, outlook or on the Company's share price.

4.1.1 RISKS RELATED TO THE GROUP'S BUSINESS SECTOR

Group's exposure to economic cycles

2010 was characterized by a still weak economic recovery which varied by geographical area. Because of its activities, the Group is sensitive to these economic factors, whose potential impact is described below.

In particular, the economic crisis that began in late 2008 resulted in a slowdown in the business of the Group's industrial and commercial customers and mainly contributed to a decline in customer demand for services, impacting the Group's sales volumes and profits in 2009. The Group's broad geographic and industry diversification offers only partial protection against this risk.

Some Group services, particularly services to industrial clients, both in the water and waste segments, are sensitive to economic cycles. Since the Group is mainly present in Europe, the United States, and Asia-Pacific, a portion of its activity is sensitive to changes in the economic conditions of these geographic regions. Any economic slowdown in a country where the Group is present lowers consumption as well as investments and industrial production and, therefore, negatively impacts demand for the services offered by the Group, which could in turn have a negative impact on the Group's activity, earnings, and outlook.

Group's exposure to changes in consumption trends

In the supplying of drinking water in some developed countries, a decrease in volumes consumed is being observed mainly due to social factors and the idea that water is a resource that needs to be preserved. For example, in France, the Group estimates that the volumes of water billed have declined on average by roughly 1% a year, over the last fifteen years.

The gain in productivity achieved by the Group and the fact that some contracts provide for a fee portion that is independent of volume consumed, and the development of high added value services particularly in supporting public authorities in their obligation to respond to changes in regulations, have allowed the Group to respond to this reduction in volume.

However, if these developments are insufficient in the future to offset the reduced volume, the Group may experience a negative impact on its activity, earnings and outlook.

Impact of climatic conditions on earnings from the Group's water operations

The Group's earnings in the water sector can be affected by significant weather changes.

For example, in France, exceptional rainfall caused a reduction in water consumption in 2007, while episodes of hot weather generated greater water consumption in 2003. Therefore, exceptional rainfalls may have a negative impact on the Group's activity and earnings.

Change in the environmental, health and safety regulatory context

The Group's businesses are subject to environmental protection, public health, and safety rules that are increasingly restrictive and differ from country to country. These rules notably apply to water discharge, the quality of drinking water, waste treatment, soil and water table contamination, and the quality of smoke and gas emissions.

Overall, regulatory changes offer new market opportunities for the Group's businesses.

However, there are still many risks that result from the vagueness of some regulatory provisions or the fact that regulatory bodies can amend their enforcing instructions and that major developments in the legal framework may occur. In addition, the competent regulatory bodies have the power to institute administrative or legal proceedings against the Group, which could lead to the suspension or revocation of permits or authorizations the Group holds, or injunctions to cease or abandon certain activities or services, fines, or civil liabilities or criminal penalties, which could negatively and significantly affect the Group's public image, activity, financial position, earnings, and outlook.

Moreover, amending or strengthening regulatory provisions could engender additional costs or investments for the Group. As a result of such measures, the Group might have to reduce, temporarily interrupt, or even discontinue engaging in one or several activities without having the assurance that it will be able to make up for the corresponding losses. Regulatory changes may also affect prices, margins, investments and operations, and, consequently the Group's activity, earnings, and outlook.

The applicable regulations involve investment and operating costs not only for the Group but also for its customers, particularly the contracting local or regional public authorities, due notably to compliance obligations. Failure by the customer to meet its obligations could injure the Group as the operator and harm its reputation and capacity for growth.

Finally, even if the Group complies with applicable regulations, it cannot monitor the quality of the water in all areas of its network. Accordingly, for several years now, France has had a policy of eliminating lead service pipes, which expires in 2013. The Group is offering its customers the replacement of pipes to achieve these objectives. This work involves renegotiations of the contracts concerned. However, the Group cannot exclude the possibility that the goal to eliminate lead by 2013 will not be reached because of the presence of lead in pipes for which individuals are responsible and over which the Group has no control. Any contamination of the water distributed, regardless of the source of the contamination, could have a negative impact on the Group's public image.

Despite the monitoring systems implemented, it is impossible to predict all regulatory changes. However, the Group, by engaging in its businesses in several countries, each with its own regulatory system, diversifies this risk.

Some of the Group's activities require administrative authorizations that can be difficult to obtain, or renew

Performing the Group's activities assumes that it holds various permits and authorizations, which often require a long, costly, and seemingly arbitrary procedure to obtain or renew.

Moreover, the Group may face opposition from local citizens or associations for installing and operating certain facilities (specifically landfills, incinerators, or wastewater treatment plants) citing nuisances, degradation of landscape, or, more generally, damage to the environment, making it more difficult for the Group to obtain construction or operating permits and authorizations or resulting in non-renewal or even legal challenges. In this respect, the Group could face legal actions from environmental organizations that could delay or impede it in operating or developing its activities, despite the various initiatives and actions it has undertaken.

Finally, the conditions attached to authorizations and permits that the Group has obtained could be made substantially more stringent by the competent authorities.

The Group's failure to obtain or a delay in obtaining a permit or authorization, non-renewal of or a challenge to a permit or authorization, or significantly more stringent conditions associated with the authorizations and permits obtained by the Group could have a negative impact on its activity, financial position, earnings, outlook, and development.

Impact on the Group of measures to combat climate change

Following the Kyoto Protocol and subsequent agreements, the battle against climate change has spread and has translated into burgeoning regulations under environmental and tax law in France (Grenelle 2), in Europe (European Union Energy-Climate Package, Carbon Reduction Commitment in the United Kingdom) and internationally (Carbon Pollution Reduction Scheme in Australia). This trend could have a very significant impact on the economic models based on the emerging risk of waste activities being included in some countries in regulations to reduce greenhouse gas emissions.

On the other hand, incorporating CO_2 restrictions together with provisions to support renewable energies and other regulatory and tax provisions complicates the economic model in the waste business and places greater pressure than in the past on guiding treatment methods toward energy recovery for the production of renewable energies.

Over the medium term, efforts are focused on increasing the proportion of low-carbon energy sources (for example, fuel substitutes produced from waste), promoting the capture of biogas at landfills, taking into consideration energy produced from this biogas, and energy produced by sludge and biowaste anaerobic digestion and energy from waste (incineration) as a source of renewable energy.

A changing competitive environment

The Group's services are still subject to strong competitive pressure from major international operators and, in some markets, from "niche" players. New industrial (equipment manufacturers) and financial players (Asian conglomerates) invest in markets by adopting aggressive strategies. In addition, the Group also faces competition from public sector operators in some markets (for example, the semi-public companies in France or the Stadtwerke in Germany). Finally, for contracts previously awarded by public authorities, some cities may desire to retain or assume direct management of water and waste services (notably in the form of public control, "régie") instead of depending on private operators.

This strong competitive pressure, which could increase in a context of consolidation among private entities (which is already underway in the waste sector in Europe), may put pressure on the commercial development and sales prices of the services offered by the Group, which could have a negative impact on the activity, earnings and outlook of the Group.

The risk of pressure on sales prices is exacerbated in the waste treatment sector in some countries, where the Group may see the profitability of its facilities reduced due to a reduction in the rate of use resulting from the development of overcapacity.

Moreover, in order to offer services that are comparable or better than those offered by its competitors, the Group may have to develop new technologies and services, thus enabling it to generate additional revenues, which brings with it substantial costs that could have a negative impact on the financial position and earnings of the Group.

Finally, certain technological choices made by the Group to remain competitive or conquer new markets may not produce the expected results and may have a negative impact on the Group's activity, earnings or outlook.

Risks related to fluctuations in certain commodity and energy prices

The Group's activities heavily consume raw materials and energy, more specifically oil and electricity, and therefore the Group is vulnerable to their price fluctuations.

The Group's contracts generally provide for indexation mechanisms, particularly in long-term contracts. The Group cannot guarantee that these mechanisms will cover all of the additional costs generated by an increase in electricity and oil prices. In addition, some contracts entered into by the Group do not include indexing provisions. Accordingly, any major increase in the price of electricity or oil could have a negative impact on the Group's earnings and outlook.

« Oil risk » not covered by sales indexation clauses on diesel price fluctuations are covered by financial hedges put in place by the Group using various derivatives (see section 4.2.4.6 Management of commodity and energy risks).

Moreover, the Group's waste activities lead to the production of plastic, wood, cardboard, metals, and electricity; a significant decrease in their price could affect the profitability of some investments or the economic balance of certain contracts and have a negative impact on the Group's activity, earnings, and outlook.

4.1.2 RISKS RELATED TO THE GROUP'S BUSINESS ACTIVITIES

Risks related to external growth operations

The Group's development strategy prioritizes organic growth, but may be accompanied by external development or growth operations through the acquisition of assets or companies and interests or alliances in the waste and water businesses and geographic areas in which the Group wishes to expand. The Group may be unable, given the competitive environment, to successfully complete development or external growth operations that it is planning based on its investment criteria.

Moreover, external growth operations may involve a number of risks related to integrating the acquired businesses or the personnel, difficulty in generating the synergies and/or savings expected, and the appearance of unexpected liabilities or costs. The occurrence of one or more of these risks could have a negative impact on the activity, financial position, earnings, or outlook of the Group.

Risks related to carrying out large projects

The Group's organic growth is in part based on various major projects involving the construction of industrial assets, including water production plants, water desalination plants, wastewater and waste treatment plants.

The profitability of these assets, whose life is several decades, is particularly contingent on controlling costs and construction timeframes, operating performance, and the long-term trend of the competitive environment. This could impair the profitability of certain assets or imply a loss of revenues and a depreciation of assets.

Risks related to design and construction activities

In the water and waste sectors, the Group is involved in certain projects at the design and construction phases of facilities, notably in the water sector through its specialized subsidiaries Degrémont, OIS and Safege.

Even though the projects are always subject to detailed studies and the Group's expertise is well known, it is possible that construction deadlines will not be met and, consequently, that the Group will incur penalties, construction costs will be higher than originally planned, or facility performance level will not comply with specifications, which could have a negative impact on its financial position, earnings, and outlook.

Risks of dependency on certain suppliers

For the construction and management of water treatment plants or waste treatment units, the Group's companies may depend on a limited number of suppliers for the supply of water, waste, electricity, and equipment.

Any interruption or delay in the supply or failure to respect a technical performance guarantee on a major piece of equipment could affect the profitability of a project and have a negative impact on the Group' s activity, earnings and outlook.

Risks related to presence in certain emerging countries

Although the Group's business activities are concentrated mainly in Europe, the United States and Australia, the Group also conducts business in other markets, notably in certain emerging countries. The Group's activities in these countries involve a certain number of risks that are higher than in developed countries, such as volatility in the GDP, relative economic and governmental instability, sometimes major amendments to, or imperfect application of regulations, the nationalization and expropriation of private property, payment collection difficulties, social problems, substantial fluctuations in interest and exchange rates, claims by local authorities that call into question the initial tax framework or the application of contractual provisions, currency control measures, and other unfavorable interventions or restrictions imposed by public authorities.

Although the Group's activities in emerging markets are not concentrated in one country or a specific geographic region, events or unfavorable circumstances that take place in any of these countries could have a negative impact on the Group's business and could also result in the Group having to book provisions and/or impairments in its accounts, which could have a significant negative impact on its financial position, earnings, and outlook. In addition, the Group could be unable to defend its rights in the courts of these countries if there is a conflict with their governments or other local public entities.

The Group manages these risks in connection with its partnerships and contract negotiations on a case-by-case basis. In order to limit the risks related to operations in emerging countries, the Group determines its choices by applying a selective strategy based on a detailed analysis of the country risks and, to the extent possible, taking out political risk insurance and putting international arbitration clauses in place.

Risks linked to entering into partnerships

In several countries, the Group carries out its activities through partnerships with local authorities or private local entities. Moreover, to develop its activities, the Group may be required to enter into new partnerships.

Partnerships are one of the means by which the Group shares the economic and financial risk inherent in certain major projects by limiting its capital employed and allowing it to better adapt to the specific context of local markets. Moreover, they may be required by the local laws and regulations. The partial loss of operating control is often the downside of this reduced exposure in capital employed. However, this situation is managed contractually on a case-by-case basis.

Changes in a project, the local political and economic context, the economic position of a partner, or the occurrence of a disagreement between the partners may lead to breaking partnerships, particularly if partners exercise puts or calls on shares, if one of the partners demands dissolution of the joint venture, or through the exercise of a pre-emptive right. These situations can also lead the Group to choosing to strengthen its financial commitments in certain projects or, in the event of conflict with its partner(s), to seeking solutions in court or before the competent arbitration bodies. These situations could have a significant negative impact on the Group's business, financial position, earnings and outlook.

Non-performance risks of long-term contracts

The Group carries out most of its business activities under long-term contracts with terms of up to 50 years or more. The conditions for performing these long-term contracts may be different from those that existed or that were anticipated at the time the contract was entered into and may change the balance of the contract, particularly the financial balance.

The Group makes every effort to obtain contractual mechanisms that allow it to adjust the balance of the contract in response to changes in certain significant economic, social, technical, or regulatory conditions. However, not all long-term contracts entered into by the Group have such mechanisms. Moreover, when the contracts entered into by the Group contain such adjustment mechanisms, the Group cannot guarantee that its co-contracting partner will agree to implement them or that they will be effective in re-establishing the financial balance of the contract.

The absence or potential ineffectiveness of the adjustment mechanisms provided for by the Group in its contracts or the refusal of a co-contracting partner to implement them could have a negative impact on the Group's financial situation, earnings, and outlook.

Risks of unilateral cancellation or modification of contracts with public authorities

The contracts entered into by the Group with public authorities make up a significant share of its revenues. However, in most of the countries in which the Group has a presence, including France, public authorities have the right, under certain circumstances, to unilaterally amend or even terminate the contract subject to compensation by the co-contracting partner.

Risks of civil and environmental liability

The business areas in which the Group operates involve a major risk of civil and environmental liability. The Group's policy on insurance is described in section 4.2.6 of this Reference Document.

Risks related to facilities management

The facilities that the Group owns or manages on behalf of third parties carry environmental risks. The natural surroundings (air, water, soil, habitat and biodiversity) may pose risks to the health of consumers, residents, employees, or even subcontractors.

These health and environmental risks, which are governed by strict national and international regulations, are regularly monitored by the Group's teams and public authorities. These changing regulations with regard to both environmental responsibility and environmental liabilities carry a risk of an increase in the vulnerability of the Company in relation to its activities. This vulnerability is to be assessed for old facilities (such as closed landfills) and for sites in operation. It may also involve damage caused to habitats or species.

As part of its activities, the Group must handle, or even generate, dangerous products or by-products. This is the case, for example, for certain chemical products for water treatment. In waste treatment, some Group facilities treat specific industrial or healthcare waste that may be toxic or infectious.

In waste management, gas emissions to be considered are greenhouse gases, gases that induce acidification of the air, noxious gases, and dust. In the area of water, the potential air pollutants are mainly chlorine or gaseous by-products resulting from accidental emissions of water treatment products. Wastewater treatment and waste treatment activities can also cause odor problems or the production of limited but dangerous quantities of toxic gas or micro-organisms.

In the absence of adequate management, the Group's activities could have an impact on the water present in the natural environment in the form of leachates from poorly monitored facilities, discharge of heavy metals into the environment, or aqueous discharge from flue gas treatment systems at incineration plants. These various types of emissions could pollute water tables or streams.

Wastewater treatment plants discharge decontaminated water into the natural environment. For various reasons these may temporarily fail to meet discharge standards in terms of organic load, nitrogen, and phosphorus.

Issues of soil pollution would arise in the event of accidental spills of stored dangerous products or liquids, leaks in processes involving hazardous liquids, and the storage and spread of sludge.

Various mechanisms are used to monitor all the above risks. The Group carries out its industrial activities under regulations that give rise to safety rules for the use of infrastructures or for performing services. The care taken in the design, execution and operation of its works cannot prevent all industrial accidents that might impair the Group's activities or generate financial losses or material liability.

The laws and contracts that govern the Group's operations clarify the division of responsibilities with respect to risk management and financial liability; however, failure to respect standards may lead to contractual financial penalties or fines.

There are risks related to the operation of waste treatment facilities, water treatment facilities and certain services rendered in an industrial context. These risks can lead to industrial accidents with, for example, operating accidents, design faults or external events that the Group cannot control (actions by third parties, landslides, earthquakes, etc.). Such industrial accidents may cause wounds, loss of human life, significant damage to property or to the environment as well as business interruption and loss of output.

The unavailability of a major drinking water production or distribution facility could result in a stoppage of the delivery of water in a fairly large area, resulting in losses of revenues and the risk of paying the pertinent compensation as well as harm to the Group's public image and/or breach of a public service obligation.

Industrial risks are managed by implementing a safety system at each site based on the principle of continuous improvement and aimed at reducing residual risk by focusing as a priority on the highest risks. An internal risk control procedure in accordance with an internal reference framework is implemented and coordinated by the Department of Health and Safety.

Although the Group has premium civil liability and environmental risk insurance, it may still be held liable above the guaranteed caps or for items not covered in the event of claims involving the Group.

Moreover, the amounts provisioned or covered may be insufficient if the Group incurs environmental liability, given the uncertainties inherent in forecasting expenses and liabilities related to health, safety, and the environment.

Therefore, the Group's liability for environmental and industrial risks could have a significant negative impact on its public image, activity, financial position, earnings, and outlook.

The Group's industrial and environmental risk management policy is described in section 4.2.2 of this Reference Document.

Specific risks related to operating high-risk sites ("Seveso" sites).

Within the boundaries of the European Union, the Group operates three "high threshold" Seveso classified sites in Germany and Spain: the Herne plant in Germany and the Constanti and Barbera sites in Spain. The Group also operates eight "low-threshold" Seveso sites in France, Belgium, the Netherlands and Germany.

In addition to the facilities identified in Europe as Seveso "high threshold" sites, the Group operates other hazardous industrial sites for which it is committed to applying the same high industrial safety standards. Accordingly, the Group conducts one-off checks and audits to ensure that these obligations are being met.

Any incident at these sites could cause serious harm to employees working at the site, neighboring populations, and the environment, and expose the Group to significant liabilities. The Group's insurance coverage (see section 4.2.6 of this Reference Document) could be insufficient. Any such incident could, therefore, have a negative impact on the public image, activity, financial position, earnings, and outlook of the Group.

The Group implements an accident prevention policy through a series of initiatives and actions including the training of employees, communication and by holding managers responsible, thus enabling it to maintain its permanent target of zero accident. (see section 4.2.3 of this Reference Document).

Risks related to Human Resources

The Group employs specialists and executives with a broad range of expertise applied to its various businesses. In order to prevent the loss of key competencies the Group must anticipate scarcity of labor in certain businesses. In addition, the Group's international growth and the trends of its businesses require new know-how and a great deal of mobility among its staff, particularly its executives. In order to meet this need the Group has implemented a human resources policy focused on employment tailored to various locations and on fostering employability through the development of training.

Risks of labor conflicts

Organizational changes and lack of understanding of the Group's strategy can lead to cooperation and negotiation being ineffective in regulating social relations.

The Group must consider the possibility of labor disturbances, such as strikes, walkouts, claim actions, or other labor problems that could disrupt its business and have a negative impact on its financial position and earnings.

Moreover, in the waste segment, the occurrence of labor disruptions could have a negative impact on the Group's public image.

Risks of occupational illnesses, particularly those related to exposure to asbestos, legionnaire's disease, or muscular-skeletal problems

The Group is very aware of the risks of changes in employees' and subcontractors' health and takes measures to protect their health and safety. It takes great care to remain in compliance with legal and regulatory health and safety provisions at its various sites. However, it may be confronted with occupational illnesses that could lead to legal action against the Group and, potentially, to the payment of damages, which could be significant.

Some energy recovery site operators could accidentally be exposed to the risk of micro-organisms such as legionella. Group instructions have been issued to contain this risk and sites are audited or inspected on a regular basis.

Personnel working at water production and distribution facilities and in hazardous industrial waste treatment sites may be exposed to chemical risks. Chemical risk is one of the risks managed under the health and safety system.

In addition, the risk of a pandemic, such as avian flu, has been anticipated by implementing continuity plans and measures to protect and prevent infection of employees that continue to work during pandemics.

Risks of criminal or terrorist acts at the Group's sites

Despite security measures taken by the Group in the operation of its water and waste facilities, the possibility remains that they could be affected by malicious acts and acts of terrorism.

Such acts could have serious consequences for public health.

In addition, some of the Group's employees work or travel in countries where the risks of terrorism or kidnapping may be high.

The occurrence of such acts could have a significant negative impact on the public image, activity, financial position, earnings, and outlook of the Group.

Risks related to natural disasters

Because of its diverse geographical presence, some of the Group's infrastructures could be exposed to natural disasters such as earthquakes, heavy rainfalls, storms, hailstorms, drought, landslides, …

The Group's policy is to cover those risks through its insurance programs with premium insurance companies with suitable covers.

Risks related to information systems

Information systems are critically important in supporting all the business processes in the Group. These are increasingly becoming interconnected and transversal between business segments. Their failure can lead to loss of business, data and breaches of confidentiality.

Risks related to breach of ethics

Actions of staff, corporate officers or representatives contravening the principles affirmed by the Group could expose it to legal and civil penalties as well as leading to loss of reputation.

4.1.3 MARKET RISKS

4.1.3.1 INTEREST RATE RISK

The Group's exposure to interest rate risks derives mainly from its floating rate net financial debt. As of December 31, 2010, the Group's net debt (excluding financial derivatives and amortized cost) totaled €7,424.6 million, 20% at floating rates and 80% at fixed rates before hedging and 31% at floating rates and 69% at fixed rates after hedging.

The following table shows the Group's net debt by type of rate (after hedging) at December 31, 2010:

In millions of euros	TOTAL	Net debt at fixed rates	Net debt at floating rates	Less than 1 year	1 to 5 years	Beyond
Amount	7,424.6	5,115.1	2,309.5	(889.1)	3,908.5	4,405.2

The following table shows the Group's net debt position exposed to floating interest rates as of December 31, 2010:

In millions of euros	TOTAL
Gross debt	3,571.4
Cash equivalent assets*	(2,091.2)
Net position before management	1,480.2
Impact of interest rate derivatives	829.3
Net position after management	2,309.5
Impact of a 1% increase in short-term interest rates on income after management	(19.3)

* *Corresponds to the "Financial assets valued at fair value through income" and "Cash and cash equivalents" items on the Group's consolidated statement of financial position.*

An interest risk sensitivity analysis is presented in Note 14.1.3.2 to the consolidated financial statements, Section 20.1.

An increase in interest rates could also force the Group to finance or refinance acquisitions or investments at a higher cost.

The interest rate risk management policy is described in Section 4.2.4.1.

4.1.3.2 EXCHANGE RATE RISK

Due to the nature of its activities, the Group has little exposure to foreign exchange risk on transactions, i.e., the flows related to the activity of SUEZ ENVIRONNEMENT and its subsidiaries are denominated in their local currencies (with the exception of Degrémont).

However, because of the geographic diversification of its activities, the Group is exposed to translation risk, i.e., its statement of financial position and income statement are sensitive to fluctuations in foreign exchange rates when the financial statements of its foreign subsidiaries outside the euro zone are consolidated. As a result, fluctuation in the value of the euro against these various currencies may affect the value of these items in its financial statements, even if their intrinsic value has not changed in their original currency.

The following table shows the distribution of the Group's net debt by currency as of December 31, 2010 (including financial derivatives and amortized cost):

In millions of euros	Euro (1)	US dollar	Pound sterling	Chilean peso	Other (2)	Total
Net debt before the effects of Forex derivatives	5,268.8	676.9	245.6	1,042.8	291.5	7,525.6
Net debt after the effects of Forex derivatives	3,319.0	1,268.1	671.5	1,260.5	1,006.5	7,525.6
Impact on income of a 10% net appreciation of the euro, on net position after management	2.2	(2.4)	(0.2)	0.0	(0.6)	(1.0)

(1) The euro impact comes from the net euro position of Group entities whose currency is not the euro.

(2) Mainly the Australian dollar and the Hong Kong dollar.

The following table shows the distribution of the Group's capital employed by currency as of 31.12.10:

In millions of euros	Euro (1)	US dollar	Pound sterling	Other (2)	Total
Capital employed	10,018	1,893	719	1,514	14,144

(1) Euro: including Agbar and its subsidiaries.

(2) Mainly the Australian dollar, Czech koruny, yuan, Hong Kong dollar and Swedish krona.

With respect to the US dollar, the following table presents the impact of changes in the US dollar exchange rates in 2010 versus 2009 on revenues, EBITDA, net debt and on the amount of equity as of December 31, 2010:

In millions of euros	Change
Revenues	34.0
EBITDA	7.0
Net debt	87.9
Total equity	60.3

The calculations of revenues and EBITDA were performed based on the 2010/2009 variation in the average US$/€ exchange rate (+5.0%); for net debt and equity it was based on the closing US$/€ exchange rate as of December 31, 2010 and 2009 (+7.8%).

With respect to the pound sterling, the following table presents the impact of changes in the pound sterling exchange rates between 2009 and 2010 on revenues, EBITDA, net debt and on the amount of equity as of December 31, 2010:

In millions of euros	Change
Revenues	33.6
EBITDA	4.5
Net debt	3.8
Total equity	19.1

The calculations of revenues and EBITDA were performed based on the 2010/2009 variation in the average £/€ exchange rate (+ 3.8%); for net debt and equity it was based on the variation of the closing £/€ exchange rate between December 31, 2010 and 2009 (+3.2%).

An exchange risk sensitivity analysis is presented in Note 14.1.2.2 to the consolidated financial statements, Section 20.1. The foreign exchange rate risk management policy is described in Section 4.2.4.2.

4.1.3.3 LIQUIDITY RISK

The following table presents the maturity schedule for the Group's debt and the amount of its cash at December 31, 2010:

In millions of euros	Total	2011	2012	2013	2014	Beyond 2014
Total borrowings	**8,868.3**	554.6	1,173.9	367.6	1,536.5	5,235.7
Overdrafts and current accounts	**647.5**	647.5	0.0	0.0	0.0	0.0
Total outstanding financial debts	**9,515.8**	1,202.1	1,173.9	367.6	1,536.5	5,235.7
Of which GDF SUEZ share	*210.0*	*59.4*	*6.0*	*6.0*	*6.0*	*132.6*
Cash equivalent assets(1)	**2,091.2**	2,091.2	0.0	0.0	0.0	0.0
Net debt (excluding derivative financial instruments and amortized cost)	**7,424.6**	(889.1)	1,173.9	367.6	1,536.5	5,235.7

(1) Includes "financial asset items valued at fair value through income" and "Cash and cash equivalents."

Some borrowings contracted by the subsidiaries of the Group or by SUEZ ENVIRONNEMENT on behalf of its subsidiaries include clauses requiring specific ratios to be maintained. The definition and the level of the ratios, i.e., the financial "covenants," are determined in agreement with the lenders and may potentially be reviewed during the life of the borrowing. These covenants are presented in Section 10.4 of this Reference Document. 8.1% of borrowings exceeding €50 million are the subject of financial covenants at December 31, 2010. At the date of this Reference Document, the financial covenants relating to these borrowings are maintained. The Group was in compliance with all these covenants at December 31, 2010. With the exception of the securitization agreement described in Section 10.4, the maintaining of these financial covenants is most often assessed at the level of the SUEZ ENVIRONNEMENT subsidiaries. Finally, none of these financial covenants are based on SUEZ ENVIRONNEMENT or SUEZ ENVIRONNEMENT COMPANY's share price, or on the Groups' rating. Details on short-term and long-term ratings and their evolution over the course of fiscal year 2010 appear in Section 10.3.3 of this document.

As of the date of this Reference Document, there is no payment default on the Group's consolidated debt. There was also no payment default on the consolidated debt of the Group at 31 December, 2010.

The following table shows borrowings contracted by the Group at December 31, 2010, in excess of €50 million:

Type	Fixed/floating rate	Total amount of lines at Dec. 31, 2010 In millions of euros	Amount drawn down at Dec. 31, 2010 In millions of euros	Term
Bond issue	Fixed rate	1,300	1,300	2014
Bond issue	Fixed rate	800	800	2019
Bond issue	Fixed rate	500	500	2022
Bond issue	Fixed rate	500	500	2024
Credit facility	Floating rate	1,500	412	2015
Borrowing	Floating rate	300	300	2012
Bond issue	Fixed rate	250	250	2017
Credit facility	Floating rate	260	211	2012
Borrowing	Fixed rate	198	198	2032
Borrowing	Floating rate	198	198	2021
Bond issue	Fixed rate	150	150	2017
Bond issue	Fixed rate	148	148	2026
Lease arrangement	Floating rate	127	127	2024
Bond issue	Fixed rate	107	107	2025
Bond issue	Fixed rate	85	85	2014
Credit facility	Floating rate	113	84	2011
Bond issue	Fixed rate	74	74	2025
Borrowing	Floating rate	72	72	2015
Credit facility	Floating rate	99	72	2011
Bond issue	Fixed rate	71	71	2028
Bond issue	Fixed rate	68	68	2015
Bond issue	Fixed rate	60	60	2031
Bond issue	Fixed rate	60	60	2026
Borrowing	Floating rate	60	60	2017
Bond issue	Fixed rate	59	59	2022
Lease arrangement	Fixed rate	58	58	2018
Borrowing	Floating rate	58	58	2013
Bond issue	Fixed rate	56	56	2012
Project financing	Floating rate	55	55	2020
Credit facility	Floating rate	60	-	2014
Credit facility	Floating rate	100	-	2015
Credit facility	Floating rate	80	-	2014
Credit facility	Floating rate	50	-	2012

At December 31, 2010, the Group had the following unused confirmed credit facilities available:

Year of expiration	Confirmed but unused credit facility programs *In millions of euros*
2011	256.7
2012	186.0
2013	41.0
2014	140.0
2015	1,187.7
Beyond	36.1
TOTAL	**1,847.5**

These programs of facilities include the setting up in February 2010 of a €1.5 billion syndicated credit loan for SUEZ ENVIRONNEMENT COMPANY with a term of five years. The liquidity risk management policy is described in Section 4.2.4.3.

4.1.3.4 COUNTERPARTY RISK

The Group's exposure to counterparty risk is linked to its cash investments and its use of derivatives to control its exposure in certain markets.

The Group's surplus cash is invested in mutual funds or in short-term deposits with international banks with a minimum A rating while ensuring that counterparty concentration limits are not exceeded.

The derivative financial instruments used by the Group are intended to manage its exposure to foreign exchange and interest rate risks, as well as its risks on commodities. The financial instruments used are essentially forward purchases and sales as well as derivative products.

The counterparty risk management policy is described in Section 4.2.4.4.

4.1.3.5 EQUITY RISK

The Group has interests in publicly traded companies, the value of which changes depending on trends in global stock markets.

As of December 31, 2010, the Group held interests in publicly traded companies (mainly Acea) with a market and book value of €191.1 million. An overall decrease of 10% in the value of these shares compared to their prices at December 31, 2010 would have had an impact of approximately €19.1 million on Group shareholders' equity.

The equity risk management policy is described in Section 4.2.4.5.

4.1.4 INSURANCE RISKS

The Group's policy with respect to insurance is described in Section 4.2.6 of this Reference Document.

However, it is still possible that, in certain cases, the Group may have to pay large indemnities that are not covered by the existing insurance program or incur very significant expenses that will not be reimbursed or will be insufficiently reimbursed under its insurance policies. In particular, with respect to civil liability and environmental risks, although the Group has premium insurance, it is possible that the Group may incur liability beyond the amount of its coverage or for events not covered.

4.1.5 LEGAL RISKS

In the normal course of their activities, the Group's companies may be involved in legal, administrative, or arbitration proceedings. The most significant current or potential disputes are detailed in Section 20.6. In the context of some of these proceedings, financial claims of a significant amount are or may be brought against one of the Group's entities. Although the Group's policy in this regard is cautious, the provisions booked for this purpose by the Group could be insufficient, which could have significant negative consequences on its financial position and earnings.

Generally, it is possible that new proceedings, either related or unrelated to current proceedings, may subsequently be brought against one of the entities of the Group. An unfavorable outcome in such proceedings could have a negative impact on the activity, financial position, or earnings of the Group.

4.1.6 TAX-RELATED RISKS

Independently of the Group's policy to comply with the applicable laws and regulations in each of the countries in which Group companies operate, as well as with international tax rules, certain provisions may present a source of risks because they are unclear, difficult to interpret, or subject to changing interpretation by local authorities. Moreover, in the European Union, tax rules that currently apply to entities of the Group are being reviewed by the European Commission and could be reconsidered.

In addition, in the normal course of their business, the companies in the Group could face tax investigations by local authorities. In this respect, tax investigations performed by the French or foreign authorities are in progress. The tax investigations may result in adjustments and sometimes result in tax disputes in the competent jurisdictions. The Group's main current tax disputes are described in Section 20.6.3 of this document.

Finally, several Group companies benefit from tax-approval decisions issued by the competent local authorities. If necessary, these approval decisions may be challenged. A challenge may result if for example the company or companies that are party to an approval decision break a commitment assumed in exchange for its issuance, and/or the facts based on which the approval decision was issued change, and/or the position of the competent local tax authority changes.

As a reminder, approval was granted in 2008 by the French Finance authorities to transfer to SUEZ ENVIRONNEMENT COMPANY a maximum tax loss of €464 million to which subsidiaries joining the SUEZ ENVIRONNEMENT COMPANY tax consolidation group contributed. To prepare consolidated financial statements, tax losses transferred under this agreement are updated every year to take into account any tax adjustments relating to time where the subsidiaries where part of the SUEZ tax group.

4.1.7 RISKS RELATING TO THE COMPANY'S SHARES

The Company's share price may be volatile and subject to market fluctuations

Financial markets are subject to significant fluctuations that at times are unrelated to the results of the companies whose shares are traded on them. Market fluctuations and economic conditions could significantly affect the Company's share price.

The Company's share price could also be affected by numerous events that affect the Group, its competitors, or general economic conditions, and the water and waste sectors in particular. Accordingly, the Company's share price could fluctuate significantly in reaction to events such as:

- variations in the financial results of the Group or of its competitors from one period to the next;
- announcements by competitors or announcements about the water and waste sectors;
- announcements of changes in the Company's shareholders;
- announcements of changes in the management team or key personnel of the Group;
- changes in the future outlook for the Group and its businesses or for the water and waste sectors in general;
- changes in the content of financial analysts reports about the Group;
- changes in economic and market conditions.

4.2 RISK MANAGEMENT AND CONTROL WITHIN THE GROUP

4.2.1 GENERAL FRAMEWORK OF THE GROUP'S RISK MANAGEMENT AND CONTROL

Management of the risks the Group is facing involves identifying them, assessing them and putting in place the appropriate action plans and hedges.

The Group has adopted an integrated corporate risk management policy which aims to provide a complete overview of the risk portfolio through the use of methods and tools common to all subsidiaries and functional departments.

The Chief Risk Officer (CRO) is responsible for coordinating this integrated approach. He is supported by a network of Risk Officers who are responsible for seamlessly and consistently executing the risk assessment and management techniques within the different subsidiaries. The network is headed by the Chief Risk Officer.

A risk-mapping process for the whole Group has been in place for several years. Risks are identified, classified by category (strategic, financial, operational), assessed (by significance and frequency), and quantified when possible. Then the method for handling them is reviewed, which provides information for action plans at different levels of the Company.

This process, which is overseen centrally by the Chief Risk Officer and in the subsidiaries by the network of Risk Officers, makes it possible, in particular, to draw up an annual summary of the major risks for the Group. It includes steps to select significant individual risks and, if applicable, to aggregate homogeneous risks. The summary is discussed and validated by the Management Committee.

The subsidiaries maintain responsibility for implementing the most appropriate risk management policy for their particular activities. However, certain trans-Group risks are directly managed by the SUEZ ENVIRONNEMENT Corporate departments involved:

- the Legal Department analyzes, monitors, and manages the Group's legal risks. This monitoring is based on periodic reporting from the subsidiaries and from SUEZ ENVIRONNEMENT and is performed by a network of lawyers;

- within the Financial Department, the Treasury and Capital Markets Department analyzes, with the subsidiaries, the Group's main financial risks (rates, main currencies, and banking counterparties), develops instruments for measuring positions, and defines the policy for hedging risks. The Planning and Control Department performs a critical analysis of the actual and projected financial performance of the subsidiaries through the monthly monitoring of operating and financial indicators. The Department prepares the Group's short-term and medium-term financial forecasts and participates in the analysis of the development projects of the Group and its subsidiaries. The Internal Control Department has rolled out a documentation, improvement and annual assessment of internal control program within the main subsidiaries of the Group in collaboration with the Group's staff and operational departments. The main mission of the Tax Department is to identify and analyze the Group's tax risks;

- within the Investment, Projects and Risks Department, the Investment and Risks Department participates jointly with the Planning and Control Department and the Legal Department in the analysis of the projects of the Group and its subsidiaries;

- the Internal Audit Department, after consultation with the Chief Risk Officer, proposes its annual audit plan on the basis of an analysis of the operational and financial risks of the companies in the Group. This audit plan is approved by the senior executives. The objectives of the internal audit are to assess the contribution of the audited entities in relation to their commitments, validate their risk analysis and control, and verify that the Group's procedures, guidelines, and charters are implemented. At the end of every assignment, the Internal Audit Department communicates its conclusions and recommendations for corrective actions;

- the Human Resources Department analyses the main labor risks and gaps in terms of skills and in terms of corporate culture. The Department develops action plans to recruit local talent and to develop skills. The Health and Safety Department monitors and ensures the prevention of occupational illnesses and accidents related to the Group's businesses. The Department ensures that warning and crisis management procedures are established within the subsidiaries and at SUEZ ENVIRONNEMENT with the aim of establishing a culture of prevention at all levels, which also improves the quality and continuity of operations;

- the Operations Research and Environment Department:

  - studies the environmental risks and coordinates the actions needed to tighten control of those risks and compliance with environmental requirements. To do this, it implements a schedule of environmental audits and operates a network of Environmental Officers charged with deploying the environmental risk management policy uniformly and consistently at each main subsidiary.

- analyzes the operational risks related to the Group's production systems and assists the subsidiaries in solving operational problems at their sites. It establishes and distributes best practices and operational benchmarks to the subsidiaries. It prepares solutions for a certain number of emerging risks by developing suitable research programs;

- the Information Systems Department analyzes and manages risks relating to information systems in order to guarantee availability, integrity and confidentiality of information,
- the Insurance Department, in conjunction with the subsidiaries, is the contracting authority for the Group's insurance programs to cover industrial and environmental damages, business interruptions, and liability (civil, professional, etc.); and
- the Communication Department analyzes and manages the risks to image and reputation. It prepares and executes adequate crisis communication plans in association with the subsidiaries. Press coverage is regularly monitored and coordinated.

Aside from the staff departments, the Board of Directors is assisted by an Audit Committee whose assignments in terms of risks are as follows:

- obtain regular updates on the financial position, cash position and on the major commitments and risks of the Group;
- examine the risk control policy and the procedures selected to evaluate and manage these risks.
- evaluate the efficiency of the Group's internal control system.

The 2010 results of the global risk management policy were presented to the Audit Committee on December 15, 2010. It was informed of the exposure to risks linked to the financial and economic crisis and it was presented with an overview of the risks for all the Group's activities at the same date. For more details, please refer to the Chairman's report on Company governance and internal controls inserted into this document.

Implementation of internal control is carried out consistently with the risks identified in the Group's activities within the framework of the mapping process for those risks.

4.2.2 MANAGEMENT OF INDUSTRIAL AND ENVIRONMENTAL RISKS

The Group's activities may lead to industrial accidents or serious environmental and health impacts. Moreover, the Group must comply with increasingly stringent environmental and public health rules. The corresponding risk factors are described in Section 4.1 above.

These risks are methodically considered within the Group, both in the waste treatment and in the water sector. In addition, the Group has established a specific policy for the most dangerous sites that it owns or operates on behalf of its clients.

This management of industrial and environmental risks is one of the main aspects of the Group's environmental policy (see Section 6.8 for a description of the Group's environmental policy).

4.2.2.1 WASTE TREATMENT

In waste treatment, each significant site has been submitted to at least one environmental audit and one health and safety audit in the past four years. These audits, performed by the Group or by external experts, make it possible to identify any potential non-compliance with applicable regulations, detect specific risks, and implement action plans for corrective measures. Such non-compliance can be attributed to regular changes in regulations which require operation upgrades. They may also be due to the acquisitions of facilities for which investments are planned or to the simple aging of the facilities under management. The use of private operators is often justified by difficulties in managing facilities subject to increasingly stringent regulations. When the Group assumes responsibility for managing facilities, some may not necessarily comply with regulatory requirements. When an area of non-compliance is identified, the Group implements different types of responses, which may consist of improvements in the operational management of a site or investments to reinforce or replace equipment at the site.

Under service delegation contracts, such decisions must be approved by the customers, local authorities, or manufacturers who remain entirely responsible for certain investments. Nevertheless, the Group endeavors to alert its customers so that they can anticipate future standards. For example, in Europe, where the Group manages household waste incinerators on behalf of local authorities, the Group has launched an important awareness raising program for local authorities in order to anticipate the European environmental regulations that may reduce authorized emission thresholds. This approach was implemented in accordance with the European directive on waste incineration applicable since the end of December 2005.

4.2.2.2 FOR THE PRODUCTION AND DISTRIBUTION OF DRINKING WATER AND WASTEWATER TREATMENT

In the water sector, each subsidiary is responsible for its own systems for managing environmental risks. A centralized audit process, similar to the process used to audit waste, has been in place since 2004. Audits conducted by the Group or external experts focus as a priority on wastewater treatment plants, water treatment plants and sludge management at purification plants. Finally, risk prevention plans either support or precede the implementation of an environmental management system.

The Group ensures the preventive management of health risks and systematically notifies customers who own plants of cases where the water treatment plants are not adapted to the supply to be treated, and proactively suggests solutions that are best suited to each context. Likewise, the Group informs local public entities who own sewage treatment networks and wastewater treatment plants of the upgrades required to meet applicable standards. When studies and compliance works are conducted by these owner authorities, the Group seeks to ensure their progress through regular reporting. In contrast, when the Group owns the plants, such projects are included in its investment programs.

With respect to the specific issue of lead pipes (which France has set a goal to phase out by 2013), the Group includes the work required to replace lead pipes in its contracts, or, if necessary, responds to bid tenders from local authorities for the removal of these pipes.

4.2.2.3 THE MOST HAZARDOUS SITES

Major industrial or environmental risks linked to the most hazardous sites are subject to strict and specific national and international regulations and are regularly monitored by public authorities and Group experts.

Within the European Union, the Group operates three "high-threshold" Seveso sites (as defined by the amended European directive 96/80/EC of December 9, 1996, which covers facilities that may present significant health and safety risks to neighboring populations and the environment, through the danger of explosion or the release of harmful products) located in Germany and Spain, and eight "low-threshold" Seveso sites in France, Belgium, the Netherlands and Germany. The Group's "high-threshold" Seveso sites are audited every three years by the internal environmental audit team and every year for health and safety purposes. All of these sites are subject to regular inventories of the hazardous substances or preparations stored on site. They have to comply with the regulatory procedure for hazard studies and risk analysis. The design, construction, operation, and maintenance of facilities located on these sites are adapted and constantly improved in order to prevent any risk of a major accident.

The Herne site (Germany), which is operated by SITA Remediation, uses pyrolysis to treat 30,000 tons of soil polluted with mercury, pyralene, and PAH (polycyclical aromatic hydrocarbons) every year. An environmental officer and a Seveso officer have been appointed by the Company to ensure the proper implementation of the regulations. An annual three-day audit is conducted by the German government's environment and labor departments. In addition, this site was audited in 2009 by the Group's environmental audit team. No major non-compliance or major environmental risk was detected on the site. Finally, the site is certified as "Entsorgungsfachbetrieb," a German environmental certification, whose annual renewal is granted by the German government only following an audit.

The site in Constanti (Spain) is a hazardous waste incinerator that treats 40,000 tons a year. The site in Barbera del Vallès (Spain) is a transfer and collection site for hazardous waste that treats 12,000 tons a year. Both sites were audited in 2010 by the Group's environmental audit team. No major non-compliance or major environmental risk was detected on the site. Both sites hold ISO 14001 and ISO 9001 certification.

4.2.2.4 EMERGENCY PLANS

Each of the Group's subsidiaries has put in place emergency plans which involve two intervention approaches: a mandatory on-site approach which enables a warning to be given and the immediate mobilization of the crisis management resources and a dedicated crisis management organization that provides effective management throughout the duration of the crisis. The latter approach provides in particular for the organization of crisis management units that are capable of taking into account internal or external impacts, whether technical, social, health-related, economic or related to reputation. The emphasis is therefore on increasing awareness and training teams for crisis management, particularly through simulations, and on the development of a culture of exchange between local teams and their outside contacts. These plans are audited annually.

4.2.3 MANAGEMENT OF LEGAL RISKS

As a result of its international operations, its activities, and of an increasingly complex and restrictive regulatory environment, the Group pays particular attention to the management of legal risks.

The Group has specifically implemented internal legal vigilance rules aimed at the various operating entities and their employees. More specifically, these rules cover the processes to be followed to enter into certain contracts, as well as feedback on the risks of disputes (to allow proactive management) and developments regarding major pending disputes.

The terms and conditions for certain Group activities, particularly the fact that certain contracts are very long-term (30 to 50 years) and consequently subject to periodic renegotiations, also require ongoing involvement by the Group's legal departments in order to assist operating departments in conducting these renegotiations.

Moreover, the Group frequently uses training processes to raise employee awareness of the importance of managing legal risks and of respecting the legal vigilance rules it has implemented.

4.2.4 MANAGEMENT OF MARKET RISKS

In the context of its operating and financial activities, the Group is exposed to market risks such as foreign exchange risks, interest rate risks, liquidity risks, or the risk related to certain commodity prices. To ensure greater control of these risks, the Group has implemented the management rules described below.

Market risk management issues are presented at a monthly Treasury Committee chaired by the Chief Administrative and Financial Officer and decisions regarding them are taken by this Committee.

The Group primarily uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates, and commodity prices.

4.2.4.1 MANAGEMENT OF INTEREST RATE RISK

The Group's exposure to interest rate risk is described in Section 4.1.3.1.

The Group's policy is to diversify the net debt reference rates among fixed rates and floating rates. The Group's aim is to achieve a balanced distribution between the different rates (5 to 15 years), a ratio which may change according to market conditions.

The Group also uses hedging instruments (particularly swaps) to protect itself from interest-rate increases in the currencies in which its debt is denominated. Financial instruments held by the Group in order to hedge interest rate risk are detailed in Note 14.1.4 to the Consolidated Financial Statements, Section 20.1.

The Group's exposure to interest rate risk is centrally managed and regularly reviewed during the meetings of the Treasury Committee. Hedges decided by the Treasury Committee are generally executed and implemented on behalf of the subsidiaries by the Group's Treasury and Capital Markets Department.

4.2.4.2 MANAGEMENT OF FOREIGN EXCHANGE RISK

The foreign exchange risk to which the Group is exposed is detailed in Section 4.1.3.2.

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.

For investments denominated in non-euro currencies, the Group's hedging policy is to contract liabilities denominated in the same currency as the cash flows generated by these assets.

Among the hedging instruments used, borrowings in the relevant currency constitute the most natural hedging tool. The Group also uses foreign exchange derivative products (foreign exchange swaps), which enable the creation of synthetic currency debts. The financial instruments held by the Group to hedge foreign exchange risks are detailed in Note 14.1.4 to the Consolidated Financial Statements, Section 20.1.

However, this hedging policy is not implemented (or is only partially implemented) under certain circumstances, in particular:

- if the hedging cost (ultimately, interest rate of the reference currency) is too high;
- if liquidities in the currency or the available hedging durations are insufficient;
- if market expectations for the relevant currency are contrary to current trends.

The asset hedging ratio (which is the ratio between the book value of an asset denominated in a non-euro currency and the debt contracted on this asset) is reviewed periodically, according to market conditions and on each entry or exit of an asset. Any significant change in the hedging ratio is subject to prior approval by the Treasury Committee.

4.2.4.3 MANAGEMENT OF LIQUIDITY RISK

The liquidity risk to which the Group is exposed is described in Section 4.1.3.3.

The Group's 2010 financing policy had the following objectives:

- diversification of financing sources by resorting to the banking market and capital markets;
- extension of the average duration of debt;
- balanced repayment profile of financial debt.

As a result of the various transactions undertaken during 2010 as described in Section 10, the sources of financing at December 31, 2010 were as follows: Bank funding represented 31% of gross financial debt (excluding bank overdrafts, amortized cost, and derivatives effect). Capital markets financing (securitization accounting for 3% and bonds 55%) represented 58% of the total. At December 31, 2010, cash equivalent assets represented €2,226.2 million, and confirmed lines of credit €2,919.5 million, €1,072.0 million of which had been drawn. As at December 31, 2010 the Group therefore had total liquidity consistent with its size and the maturities it had to meet.

The liquidity risk is regularly monitored by the Treasury Committee; the monthly reporting of the consolidated group debt includes a schedule of the debt for the current year, for years y+1 to y+4 and future years.

Access to the long-term capital markets is primarily through the parent company SUEZ ENVIRONNEMENT COMPANY for new bond issuance and structured bank debt.

4.2.4.4 MANAGEMENT OF COUNTERPARTY RISK

The counterparty risk to which the Group is exposed is described in Section 4.1.3.4.

The Group's policy for managing counterparty risk is based on the diversification of its counterparties (excluding commodity-related risk) on one hand and on an assessment of the financial position of those counterparties on the other.

The Group invests the majority of its cash surpluses and negotiates its financial hedging instruments with leading counterparties. Within the framework of its counterparty risk management policy, the Group has implemented management and control procedures based, on the one hand, on counterparty qualifications as a function of external rating and objective market aspects (credit default swaps, stock market capitalization), and on the other hand, on the definition of risk limits. Similarly, the Group selects its insurers in a way that limits its counterparty risk.

4.2.4.5 MANAGEMENT OF EQUITY RISK

The equity risk to which the Group is exposed is described in Section 4.1.3.5.

The Group's portfolio of listed equities is part of its long-term investment policy. As of the date of this document, the equity risk is not subject to any particular hedging, but the Finance Department monitors price changes in the Group's holdings in various companies on a regular basis.

4.2.4.6 MANAGEMENT OF COMMODITY AND ENERGY RISKS

The commodity risk to which the Group is exposed is described in Section 4.1.1.

The Group's hedging policy primarily concerns risk related to fluctuations in oil prices, particularly because of the fuel consumption of the main subsidiaries active in the waste sector (SITA France, SITA Deutschland, SITA Nederland).

Volumes that are not purchased under contracts where revenues are indexed to the change in diesel prices are considered "at risk" volumes and are financially hedged through the use of derivative products (particularly swaps).

At December 31, 2010, the Group considers that the diesel consumption of its main subsidiaries in the waste management sector (SITA France, SITA Deutschland, SITA Nederland) is approximately 69% hedged for 2010 and 63% for 2011 (approximately 30% through contractual indexing and the balance through derivative products).

In order to best implement the planned hedges, the Group's Treasury and Capital Markets Department monitors changes in the market and hedging prices and makes recommendations to the Treasury Committee and to interested subsidiaries.

4.2.5 ETHICS PROGRAM

The Group's presence in many countries means that it must pay particular attention to sharing and respecting ethical values as well as to the related regulations and obligations.

The SUEZ ENVIRONNEMENT ethics policy was designed to promote a group culture that encourages responsible behavior (in compliance with the applicable ethical values and regulations) by each employee of the Group. It is based on three pillars:

- a charter and procedures;
- governance provided by the Ethics and Sustainable Development Committee and the network of ethics officers;
- ethics reporting instruments.

SUEZ ENVIRONNEMENT has made ethics an indispensable element of global performance improvement. Ethics is essential in the Group's contractual commitments. It is the basis of all successful cooperation with the Group's suppliers and customers alike. The various forms of corruption have a harmful impact on the Group's economic health as well as its image. Corruption undermines the Group's competitiveness and results in a loss of trust in the Company. Over time, corrupt practices slow and even halt the implementation of sound governance and discredit its efforts. The Group denounces them and combats them through its comprehensive Ethics Program:

- An Ethics Charter complete with a Practical Guide issued in 2010 and available in eight languages: French, English, Spanish, German, Dutch, Czech, Arab and Chinese. These documents can be consulted by any employee of the Group on the SUEZ ENVIRONNEMENT intranet and have been prepared to reflect standards on ethics and conduct issued by national and international bodies (such as the Global Compact, the Conventions of the International Labor Organization, and the OECD guidelines for multinational companies) and the values of the GDF SUEZ Group.
- A reaffirmed commitment to Ethics through its membership in the United Nations Global Compact and the Water Integrity Network (WIN).

In 2008, the Board of Directors of the Company set up an Ethics and Sustainable Development Committee, which is responsible, among other things, for monitoring the Group's Ethics and Sustainable development policies and for ensuring that Group employees are complying with the individual and collective values on which the Group's activity is based. (For a description of the Ethics and Sustainable Development Committee, see Section 16.3.3 of this Reference Document).

The Ethics Program, whose aim is to prevent or detect behaviors which are contrary to the Group's ethical rules, is coordinated within the Group by the General Secretary, who serves as Group Ethics Officer and who is also responsible for the Legal and Internal Audit departments. The Ethics Program is applied by all the main subsidiaries, which have a designated ethics officer. The ethics officers are responsible for ensuring the roll-out and effectiveness of the Ethics Program within their subsidiary and for implementing internal and external investigation procedures for any issue brought to their attention that may potentially be in breach of the Group's Ethics rules.

Each year, the ethics officers at each main subsidiary send a report on the application of the ethics program in their subsidiary to their executive management and to the Group Ethics Officer. A compliance letter signed by the Chief Executive Officer of each major subsidiary is sent to the Group Ethics Officer every year.

The Group Ethics Officer then produces an annual report on the activities of the Ethics Program within the Group which is presented to the Ethics and Sustainable Development Committee.

4.2.6 MANAGEMENT AND FINANCING OF INSURABLE RISKS

To limit the impact of certain events on its financial situation, or to meet contractual or legal requirements, the Group has created dedicated insurance programs to cover its main risks of damage to property, civil liability, and personal insurance.

The policy for transferring risks to the insurance market is fixed every year and updated as necessary in order to reflect not only changes in the Group, in its activities and in the risks it faces, but also changes in the insurance market.

The Insurance Department organizes the policy defined by the Group: selection of the brokers and insurers, monitoring of the policies and, if necessary, control of the prevention or protection policies. For this purpose, it works with a network of specialists or agents within the subsidiaries of the Group.

For each of the traditional areas of insurance (i.e., property damage and interruption of business, civil liability, and employee benefits), the Group transfers risks to the insurance market or uses internal financing plans:

- the transfer of risks to the insurance market is performed as often as possible through transversal programs in areas that are considered strategic, either because of the potential intensity of the risks covered or because of the economies of scale generated by the transversal programs;
- the financing of random risks of low or moderate intensity relies mostly on internal financing plans, especially through deductibles or risk retention.

The Group does not have a captive insurance company, however, in support of the risk management policy, about ten insurance contracts are partially reinsured by a captive reinsurance company owned by GDF SUEZ.

In 2010, the premiums (including taxes and retentions) relating to the main insurance programs established by the Group in the areas of asset protection (property damage and interruption of business) and third party recourse amounted to approximately 0.4% and 0.2% of consolidated revenues, respectively.

Property damage and interruption of business

The protection of Group assets covers property the Group owns as well as property that it leases or that has been entrusted to it.

Facilities are covered by programs that are generally underwritten at the Group level. However, insurance policies are also taken out by subsidiaries and, under exceptional circumstances, by sites, if justified by contractual requirements. These local insurance policies are identified and checked by the Insurance Department.

The underwriting limits for property damage cover the maximum possible loss assessed for each site.

With respect to interruption of business resulting from property damage, the coverage periods take into account an estimate of the consequences of the total or partial shutdown of a site (repair period, amount of daily losses, additional expenses, and redundancy).

Construction projects are covered by a "Construction All Risks" policy taken out by the project manager, the general contractor or the main company involved.

Civil liability

The Group's third party civil liability is covered by various types of civil liability insurance.

Coverage for general civil liability, product liability, professional liability, or liability for environmental damage is part of a Group program taken out and managed by SUEZ ENVIRONNEMENT on behalf of all its subsidiaries.

In the event of claims that exceed the maximum coverage under this policy (€50 million), the Group will benefit from the civil liability insurance coverage of the GDF SUEZ Group.

Insurance for certain types of civil liability that correspond to legal obligations (vehicle fleet, workplace accidents) are covered by specific policies.

Employee benefits

In accordance with legislation currently in force and with Company agreements, programs for protecting employees against the risk of accidents and medical costs are set up at the operating entity level. These programs may either be financed through retention based on capacity or transferred to the insurance market. In France, mutual and insurance programs are largely consolidated and are subject to at least one review per year to analyze risks and trends as well as to anticipate changes in the economic balance of the plans concerned.

5 INFORMATION ABOUT THE GROUP

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5 INFORMATION ABOUT THE GROUP

5.1 HISTORY AND REORGANIZATION OF THE GROUP

5.1.1 LEGAL NAME

Since February 11, 2008, the Company's legal name is SUEZ ENVIRONNEMENT COMPANY. Its previous legal name was Houlival.

5.1.2 TRADE AND COMPANY REGISTER

The Company is registered at the Trade and Company Register of Nanterre, France under the number 433 466 570 RCS NANTERRE.

5.1.3 DATE OF INCORPORATION AND TERM OF THE COMPANY

The Company was incorporated on November 9, 2000, for a term of 99 years. Except in the event of early dissolution or extension, the Company will cease to exist on November 9, 2099.

5.1.4 REGISTERED ADDRESS, LEGAL FORM AND APPLICABLE LEGISLATION

The Company's registered address is Tour CB21, 16 place de l'Iris, 92040 PARIS LA DÉFENSE CEDEX, France.

Telephone: +33 (0)1 58 81 20 00.

The Board of Directors' meeting of October 27, 2010 decided to transfer the registered address from 1, rue d'Astorg 75008 Paris to Tour CB21, 16 place de l'Iris, 92040 Paris la Défense Cedex, subject to approval by the next General Meeting.

The Company is a French Société Anonyme (public limited company) with a Board of Directors and is governed by the provisions of Book II of the French Commercial Code applicable to commercial companies and all legal provisions applicable to commercial companies. It is governed by current and future legal and regulatory provisions and its Bylaws.

5.1.5 HISTORY OF THE GROUP

For 130 years, the SUEZ Group has focused on providing public utility services to local authorities, industrial customers, and individuals in the electricity, gas, water, and waste management sectors. Since 2003, SUEZ ENVIRONNEMENT has handled all the expertise in water management, wastewater treatment and waste management services within the SUEZ Group. This expertise is supported by trademarks of international renown such as Degrémont, Safege, Lyonnaise des Eaux and Sita, with a reputation for the know-how they have accrued (over more than a century in certain cases) to serve their customers.

1880, CREATION OF SOCIÉTÉ LYONNAISE DES EAUX ET DE L'ÉCLAIRAGE

The company operated in the public services of water, electricity, and gas distribution in rapidly growing cities and suburbs such as Cannes, Bordeaux, Lille and Rouen. From the very beginning, Lyonnaise des Eaux also developed its activities abroad.

1919, CREATION OF SITA

The Société Industrielle des Transports Automobiles (SITA) was one of the two service providers selected to collect household waste in Paris. At that time, SITA had two activities: transport of all kinds and delegation of public services. It diversified into passenger transport and corporate vehicle leasing.

1946, PARTIAL NATIONALIZATION OF LYONNAISE DES EAUX

In 1946, France nationalized the gas and electricity sectors. Société Lyonnaise des Eaux et de l'Eclairage was partially nationalized. Therefore the company focused on water-related activities to meet the growing demand for services and network development in the suburbs of large cities. In line with this same growth strategy, Lyonnaise des Eaux became a majority shareholder in Degrémont, a water treatment company established in Paris in 1939.

1971, ACQUISITION OF SITA

In the 1970s, to meet the increasing requirements in terms of environmental protection, SITA set up a waste sorting and recycling branch. In 1971, Lyonnaise des Eaux acquired a stake in SITA, which became the Group's "waste management division". SITA has been wholly owned by the SUEZ Group since 2000.

1974, COMPAGNIE FINANCIÈRE DE SUEZ, MAJORITY SHAREHOLDER OF LYONNAISE DES EAUX

In 1974, Compagnie Financière de SUEZ became the majority shareholder of Lyonnaise des Eaux. After being nationalized by the French government in 1982, Compagnie Financière de SUEZ was privatized in 1987.

1997, MERGER OF COMPAGNIE FINANCIÈRE DE SUEZ AND LYONNAISE DES EAUX

In 1997, the merger between Lyonnaise des Eaux and Compagnie Financière de SUEZ resulted in SUEZ Lyonnaise des Eaux, the world's leading group for local services.

2001, SPIN-OFF OF THE SUEZ GROUP WATER ACTIVITIES

In 2001, SUEZ Lyonnaise des Eaux became SUEZ and, through a contribution in kind, combined all of its water-related activities within Ondeo as part of a spin-off process. Water activities in France were consolidated under the name Lyonnaise des Eaux France.

2003, FORMATION OF SUEZ ENVIRONNEMENT

In 2003, the water and waste activities were combined within SUEZ ENVIRONNEMENT following the merger of Sita with Ondeo Services, which changed its name to SUEZ ENVIRONNEMENT. SUEZ ENVIRONNEMENT then united almost all the environmental activities of the SUEZ Group in the water, waste, and engineering sectors.

2008, LISTING OF SUEZ ENVIRONNEMENT COMPANY

As part of the merger between SUEZ and Gaz de France, which created a global leader in the gas and electric sectors with a strong French-Belgian base, SUEZ decided to complete the consolidation of all its environmental operations within a new company – SUEZ ENVIRONNEMENT COMPANY (the "Company"). SUEZ contributed all the shares of the former company SUEZ ENVIRONNEMENT to this new company, and distributed 65% of the Company's capital to SUEZ shareholders prior to the merger. Following this distribution, the merged GDF SUEZ entity held a stable 35.41% stake in the Company at December 31, 2010.

2010, TAKEOVER OF AGBAR

On June 8, 2010, SUEZ ENVIRONNEMENT completed the process for the takeover of Aguas de Barcelona (Agbar) announced in October 2009. As a result of this transaction, SUEZ ENVIRONNEMENT owns 75.23% of Agbar, a company formed in 1882 specializing in water cycle management in Spain and other countries (namely United Kingdom and Chile).

5.2 INVESTMENTS

5.2.1 PRINCIPAL INVESTMENTS MADE BY SUEZ ENVIRONNEMENT COMPANY OVER THE PAST TWO YEARS

A description of the principal investments made by the Group over the course of 2009-2010 is provided in Section 9.3.1. (Cash flows from (used in) investing activities) of this Reference Document.

5.2.2 PRINCIPAL INVESTMENTS OF THE COMPANY IN PROGRESS

In December 2010, SITA Australia signed a memorandum of understanding aiming at purchasing the waste management activities of WSN Environmental Solutions from the government of New South Wales. The transaction was completed January 31, 2011. The details of this transaction are presented in Section 9.1.2.4 of this Reference Document.

5.2.3 PRINCIPAL INVESTMENTS PLANNED OR SUBJECT TO FIRM COMMITMENTS FROM THE MANAGEMENT BODIES

None.

6 OVERVIEW OF ACTIVITIES

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6 OVERVIEW OF ACTIVITIES

6.1 GENERAL INFORMATION

With total revenues of €13.9 billion, and around 79,550 employees as of December 31, 2010, the Group is a major player in the global environmental market (water and waste).

The Group is active in each stage of the water and waste cycles, and therefore has expertise in this area. It operates both on behalf of public authorities and private sector players.

The Group's water-related activities specifically include:

- catchment, treatment, and distribution of drinking water;
- maintenance of networks and operation of plant;
- customer management;
- collection and treatment of municipal and industrial wastewater;
- design, building, occasional financing, and operation of drinking water production and wastewater treatment plants, as well as desalination and water treatment plants, for reuse purposes;
- studies, master plans, modeling of underground water tables and hydraulic flows, and general contracting for water management infrastructure projects; and
- biological and energy recovery of treated sewage sludge.

The Group's activities in the waste sector notably include:

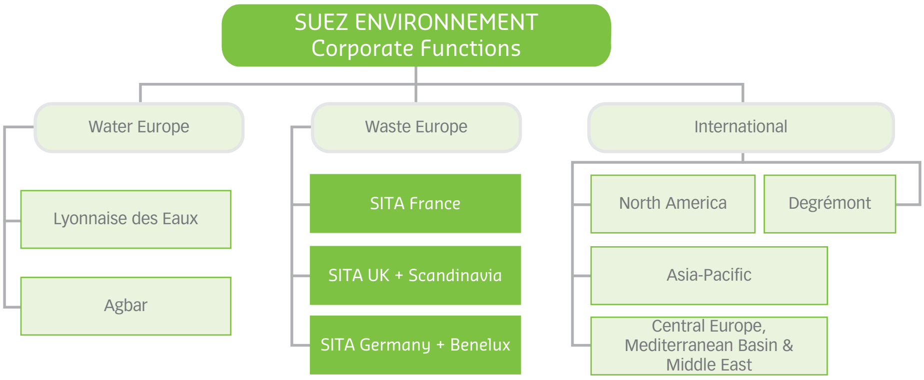
- waste collection (household waste, waste from local authorities, and industrial waste; non-hazardous and hazardous waste, excluding waste that may be contaminated by radioactive residiues from nuclear activities) and urban cleaning services;
- pre-treatment of this waste;
- sorting, recycling, and material, biological or energy recovery of recoverable portions;
- disposal, by incineration and landfilling of residual portions;
- integrated management of industrial sites (industrial sanitation, pollution clean-up, and remediation of polluted sites or soil); and
- sludge treatment and recovery.

The Group engages in its activity through public and private customers, under various types of contracts:

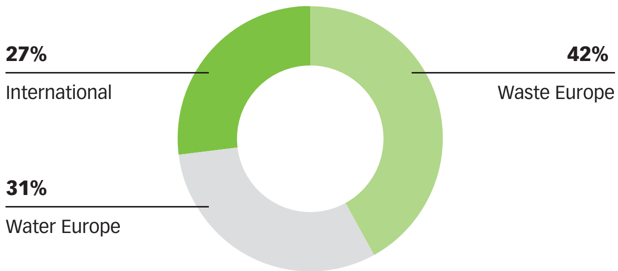
- in the water sector, the Group primarily enters into public service delegation contracts (leases or concessions) and public contracts, as well as service, operational, and maintenance contracts, and building and engineering contracts;
- in the waste sector, the Group enters into service or management contracts (delegated and non-delegated, integrated and non-integrated), operational and maintenance contracts, and design, building and operation contracts.

In 2010, 53% of the Group's consolidated revenues were earned in the water segment, and 47% in the waste segment.

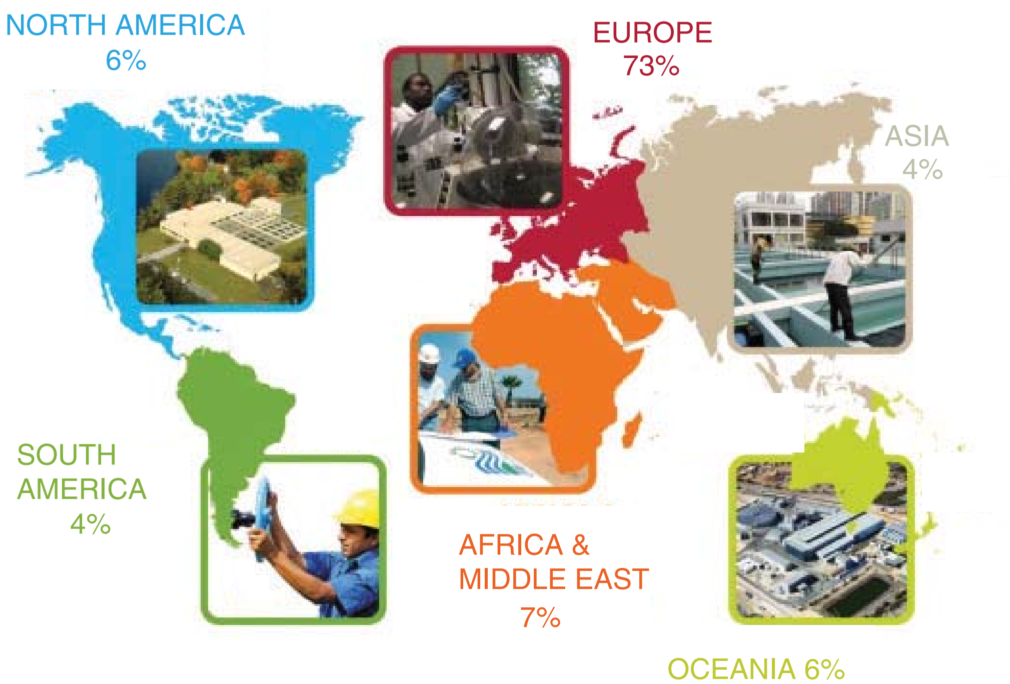
The Group is organized around three main segments: Water Europe, Waste Europe, and International (Degrémont and activities outside Western Europe), which are divided into 9 business units. Another segment, known as "Other", covers only corporate functions. The following diagram shows the organization of the 9 business units:



The graph below shows the distribution of the Group's consolidated revenues as of December 31, 2010, according to this organization (the "Other" segment is not shown, as it covers only corporate functions within SUEZ ENVIRONNEMENT):



Europe is the Group's historic development area and remains its region of reference. Thanks to this foothold in Europe, particularly in France, the Group is able to mobilize its know-how and skills and adapt them to other continents. The following map shows the distribution of the Group's revenues by geographical region as of December 31, 2010 (1):

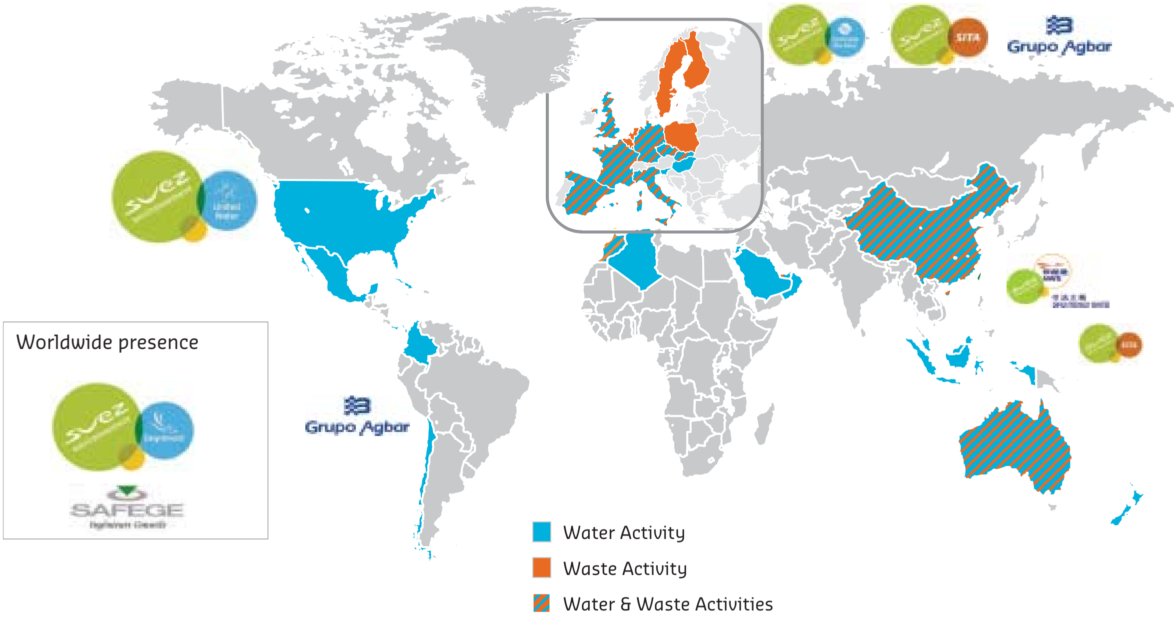


(1) *This chart shows the geographical distribution of the Group's revenues irrespective of the accounting segmentation assumed in the Group's Consolidated Financial Statements at Section 20.1 of this Reference Document.*

The Group benefits from an extensive network of subsidiaries and agencies; as of year-end 2010, the Group was active as an operator in over 35 countries. Thus, outside Europe, major cities such as Hong Kong, Casablanca, Jakarta, and most recently Melbourne have awarded the Group all or part of the management of their water, wastewater, and waste-related services, and even the building of major infrastructure in these areas. The Group is most often active through its partnerships with local public or private players (industrial, financial, or non-profit) that have an in-depth knowledge of the local context, following the model of the historic partnership with La Caixa (Agbar in Spain) or New World (Sino-French Holdings in China).

The Group is active around the world under various very well-known brands, particularly SITA for waste and Lyonnaise des Eaux, United Water, Degrémont and Ondeo Industrial Solutions for water.

This map shows the locations of the Group's principal subsidiaries and principal brands around the world as of December 31, 2010:



Finally, the Group has always placed research and development at the core of its activities, particularly through major partnerships, joining with both public players (for example, with Cemagref and CNRS in France, Tongji and Tsinghua Universities in China, and UCLA in the United States) and private actors (R+i Alliance partnership between Lyonnaise des Eaux, Agbar, United Water, Northumbrian Water and SUEZ ENVIRONNEMENT).

6.2 GROUP'S STRENGTHS

A MAJOR PLAYER IN ENVIRONMENTAL ACTIVITIES

With total 2010 revenues of €13.9 billion, the Group is one of the two main global environmental players and the only international player exclusively dedicated to water and waste activities. Through its presence in all water and waste cycles, the Group believes it holds leading positions in all its activities (in terms of revenues):

- No. 2 in France, Europe and worldwide in the water sector;
- No. 1 in water activities in Spain, through Sociedad General de Aguas de Barcelona (Agbar); and
- No. 2 in France and in Europe, and No. 4 worldwide in the waste sector.

In the water sector, in 2010 the Group operated over 1,200 (1) drinking water production units, serving a population of 91 million people (2). The Group also operated over 1,800 wastewater treatment sites, meeting the needs of 61 million people (2).

(1) The difference between the number of drinking water units operated by the Group indicated for 2010 and 2009 can be explained by a change to the definition. The new definition excludes "ordinary disinfection" plants

(2) The basis for the calculation of the population served in the Water segment is the "managed" scope of consolidation (fully consolidated companies, proportionately consolidated companies, and companies consolidated by the equity method). Plants in operation, for which Degrémont provides complete wastewater treatment or drinking water services, are included.

In 2010, the Group treated nearly 40 million metric tons of waste, and served nearly 50 million people and around 430,000 clients in services and industry through its waste collection activities.

It also holds a key competitive advantage that sets it apart from its competitors in the form of Degrémont, the world leader (in terms of revenues) in the design and building of water treatment plants.

Finally, the Group enjoys an excellent reputation in all markets in which it is active, as well as brand recognition.

A STRONG ENVIRONMENTAL MARKET

The Group's strategy is based on solid long-term growth factors: the strengthening of health and environmental regulations, population growth and urbanization.

The environmental market benefits from favorable demographic and social changes.

Growing urbanization in certain areas and growing infrastructure needs are also economic and social assets that benefit the Group. Thus, while 550 million inhabitants are projected to be added to the current urban population over the next 20 years – thereby considerably increasing water infrastructure needs – 2.6 billion people – i.e., approximately 38% of the world population – do not currently have access to a sophisticated wastewater treatment system (*source*: *United Nations, 2010*).

Regulatory changes brought about by increasing concerns for environmental protection are an additional factor driving the growth of this market. This regulatory pressure – increasingly approved by populations – resulted in an increasing demand for complex services and favors the growth of players in these markets, particularly global players such as SUEZ ENVIRONNEMENT. For example, according to the European Commission, 78% of Europeans are in favor of an increased allocation of money by the European Union to environmental protection, even if it implies that other sectors would receive less money (*source*: *Eurobarometer 2008).*

Finally, the development of new technologies to address the growing complexity of environmental problems and the increasing role of private operators (the portion of the global population served by the private sector in the water segment rose from 5% to 12% between 1999 and 2010 (*source*: *Pinsent Masons Water Yearbook 2010-2011*)), are also positive factors for the expansion of the Group's markets.

AN INTEGRATED PLAYER THROUGHOUT THE ENTIRE WATER AND WASTE VALUE CHAIN

The Group has completely mastered each step of the water and waste cycles, allowing it to implement commercial and technological synergies within each activity.

The Group is thus able to offer a complete range of services in terms of types of services and contracts, adapted to all categories of customer, including both local authorities and private industrial players.

A PLAYER CAPABLE OF BENEFITING FROM THE COMPLEMENTARY ASPECTS OF THE WATER AND WASTE ACTIVITIES

The water and waste activities offer certain complementary features, which the Group has turned into one of its strengths.

Thus, the Group is able to generate synergies between the two activities, particularly by sharing certain technologies (for example, in sludge or compost treatment), combining research and development in certain target programs (such as biomass management for material or energy recovery purposes) and realizing operating synergies by pooling certain corporate functions. To illustrate, the Group's development in China with the Shanghai Chemical Industrial Park (SCIP) marks an important step in trade collaboration between the two activities, by combining a wastewater treatment plant and China's largest hazardous waste incineration plant at a single site.

AN EMPHASIS ON RESEARCH AND DEVELOPMENT AT THE CORE OF THE GROUP'S CULTURE

For 70 years, the Group has been the source of significant innovation: the first collection trucks with waste compacting in 1936 (the "Rey-SITA compacting dumper"), the first reverse osmosis desalination plant in the world for the production of urban drinking water in 1985, the first compartmentalized collection trucks allowing the separate collection of recyclable packaging since the early 1990s ("combi system"), the first hazardous waste stabilization-solidification processes in 1993, and the first water ultra-filtration process in 1998.

The Group's research is based on a global scientific and technical network consisting of experts grouped within expertise and research centers; technological developments resulting from this research are the fruit of close collaboration and a sharing of knowledge between internal experts, as well as with the Group's university and industrial partners. Thus, in 2010, the Group had implemented over 65 research and development programs in 200 laboratories around the world. The research and development teams have some 400 researchers, technicians, and experts, and an effective budget of €73 million (the Group's share of the expenses). Moreover, in order to combine the R&D work of the various operating units of the Group in water activities and develop joint research programs, the Group created a research body called "R+i Alliance" with a budget of almost €9 million in 2010.

The Group believes its technological expertise allows it to meet its customers' expectations effectively and to rank among the leading players as regards technological developments in environmental management services.

A BALANCED ECONOMIC MODEL

One of the Group's principal strengths lies in the diversity and balance of its business and geographical exposure.

The Group's total revenues show a balance between its water and waste activities. SUEZ ENVIRONNEMENT has a strong European base: 73% of its revenue is earned in Europe. SUEZ ENVIRONNEMENT's position favors developed markets, with stable political and legal systems: 85% of its total revenues are earned in Europe, North America and Australia.

The equilibrium of the Group's economic model is also due to the variety of its exposure: service contracts, short-, medium- or long-term contracts, local authorities or industrial customers, and regulated/non-regulated markets.

TARGETED INTERNATIONAL GROWTH BASED ON A STRONG CULTURE OF PARTNERSHIP

The Group is pursuing a selective international growth strategy (outside Europe) based on identifying the fastest-growing markets with controlled risk profiles. For example, the positioning of United Water in the United States in regulated activities addresses this issue and allows the Group to establish the solid position it needs for future development.

The Group maintains a strong partnership culture, particularly in countries offering high growth potential in the environmental activities and where teaming up with local partners deepens its understanding of local challenges, while allowing risks and invested capital to be shared.

A few examples include:

- Lydec, the Group's spearhead in Morocco since 1997, is an example of a partnership with local investors in a listed company, which distributes water and electricity to the cities of Casablanca and Mohammedia;
- Sino-French Holdings ("SFH") has operated since 1985 in an equal partnership with New World Holding, a Hong Kong-based company, to meet the water and wastewater treatment needs of more than 14 million people; SFH is an example of an operating partnership, which is itself based on a large number of partnerships with local municipalities for the co-financing of assets.

A FLEXIBLE ECONOMIC MODEL THAT PRESERVES THE ECONOMIC BALANCE OF LONG-TERM CONTRACTS

A significant part of the Group's activity is carried out through delegated management contracts (delegation of public service in France, or the equivalent outside France), entered into for long periods of time.

These contracts generally afford the Group the flexibility needed to maintain their economic balance, notably by continually improving the quality and sophistication of the services provided, thus meeting the needs of both parties by offering innovative and profitable services or technologies.

A BALANCED FINANCIAL STRUCTURE AND A SELECTIVE DEVELOPMENT PROJECT MANAGEMENT POLICY

The Group has a balanced financial structure.

The development choices are based on a strict financial discipline that allows the Group to maintain a sound balance sheet.

SUSTAINABLE DEVELOPMENT AT THE CORE OF THE GROUP'S ORGANIZATION

The Group's steady ambition is to be a responsible player both socially and environmentally and, to this end, the Group has implemented a structured approach within the Company.

This approach was formalized in 2008 and applies to the entire Group through its four main priorities, broken down into 12 commitments:

1. Conserve natural resources and promote the circular economy:
   - optimize waste recycling and recovery rates
   - increase the yields of drinking water networks;
2. Innovate to meet environmental challenges:
   - reduce greenhouse gas emissions
   - improve energy efficiency
   - increase renewable energy generation
   - incorporate biodiversity in site management;
3. Empower our employees as actors of sustainable development:
   - develop professional expertise
   - improve safety and health in the workplace
   - commit to diversity;
4. Build our development with all stakeholders:
   - maintain an active dialogue with our stakeholders
   - become a key actor of local sustainable development
   - provide regular and easily accessible information about our sustainable development actions

A set of 22 performance indicators has been defined. Published and analyzed regularly, these indicators allow the Group to monitor its progress in meeting these twelve commitments.

In 2009, the Group also defined progress goals on the 2012 horizon for each of these commitments. For more information, see the "Sustainable Development: Commitments and Performance in 2009" brochure:
http://www.suez-environnement.com/en/sustainable-development/

The Group's sustainable development policy also takes shape through a "Sustainable Development Roadmap": which details the technical and managerial challenges faced by the Company in environmental, corporate, social and governance-related issues. This roadmap also allows the Group's progress to be measured in the exercise of its corporate responsibility. All major subsidiaries of the Group have their own "Sustainable Development Roadmap" spelling out the Group's objectives at their operational level.

This sustainable development policy will afford the Group a stronger competitive post-crisis position.

A STEADY SHAREHOLDING

GDF SUEZ's interest in SUEZ ENVIRONNEMENT COMPANY share capital constitutes an element of stability offering guarantees to the customers and industrial or financial partners of the Group, and which enables the Group to enjoy synergies with GDF SUEZ, such as industrial cooperation in energy or environmental fields and the sharing of a number of administrative/support functions. The listing on the stock exchange gives SUEZ ENVIRONNEMENT COMPANY greater visibility and direct access to the financial markets.

6.3 STRATEGY

SUEZ ENVIRONNEMENT's ambition is to strengthen its position as a reference player in environmental protection and sustainable development, by offering its customers innovative solutions that reconcile the economic and environmental performances of water and waste services. Its industrial plan reflects this desire for development in all its businesses by giving priority to sustainable and profitable growth, combined with a balanced risk profile. This plan is aimed at establishing the Group as one of the leaders in one and/or both the other business activities, in each country where it operates.

SUEZ ENVIRONNEMENT's strategy is perfectly in line with the broader strategic orientation of the GDF SUEZ Group, an international industrial group able to provide the most effective technical solutions to meet the main challenges of sustainable development in energy, water and waste.

6.3.1 SUSTAINABLE DEVELOPMENT AND OPERATIONAL AND TECHNICAL KNOW-HOW AS GROUP'S CORE STRATEGIC AMBITIONS

6.3.1.1 OFFER ITS CUSTOMERS SOLUTIONS FOR SUSTAINABLE DEVELOPMENT

The growing aspiration for harmonious and sustainable development involves increased attention to environmental protection and reasonable consumption of non-renewable resources. The supply and distribution of drinking water, wastewater treatment services, waste management and recovery are services essential to the well-being of people and the successful operation of businesses, and constitute real challenges in certain regions of the world. The demand for these services, and for the expansion and improvement in their quality, will continue to increase over the long term.

In offering high-quality water and waste management services, the Group will specifically seek to:

- assist its customers in managing resources in a sustainable and reasonable way, and assist them in limiting their environmental impacts and identifying alternative resources;
- offer optimized solutions in energy consumption and, if appropriate, solutions that combine environmental protection and the production of renewable energy;

To help its customers reconcile quality services and environmental performance, in 2008 the Group launched an innovative environmental program: EDELWAY. With EDELWAY, the Group provides an additional dimension to its commercial offerings by attaching a contractual commitment to environmental performance in three fundamental areas: (i) protection of resources, (ii) reduction of greenhouse gases and (iii) protection of biodiversity. These offerings commit the Group to supplying guaranteed performance in terms of dates and figures, measured transparently.

The Group will also ensure that it continues its involvement in the area of improving environmental management governance in emerging countries, to promote the emergence of conditions favorable to development of the Group's activities in those countries.

6.3.1.2 IDENTIFY AND USE ENERGY AND MATERIAL GENERATION POTENTIALS IN THE VALUE CHAINS

The water and waste activities are facing new challenges, to which the Group must respond and adapt. Waste, through appropriate treatment and under controlled conditions, can and must be recovered and reincorporated as much as possible in the economic cycle: landfills and incinerators can also operate as renewable energy production sites, recycled materials can be used as secondary raw materials in industrial circuits and organic matter can be recovered in the form of energy or compost. The Group is thus active in the progressive evolution toward a cycle of preservation of materials, one of the major challenges of the 21st century. Likewise, in the water sector, wastewater treatment stations are becoming a kind of refinery, producing water that can be reused, renewable energy, soil fertilizers, and final waste to be eliminated without risk to the environment.

6.3.1.3 MAKE RESEARCH AND TECHNOLOGICAL EXPERTISE A PRIORITY IN THE GROUP'S FUTURE DEVELOPMENT

At the heart of the Group's strategy is research focused on applications that strive to improve its operational performance (anticipation and control of health and environmental risks, energy efficiency) and perfect its technical expertise (treatment of sludge, desalination, reuse of wastewater, environmental compatibility of landfilling).

The Group also seeks to continue developing the best technical solutions with the best experts, specifically in order to:

- adapt to climate change and prevent it from worsening, preserve natural resources and protect the environment and the quality of life;
- improve the quality of drinking water and services to consumers; and
- expand its technological leadership to new areas, particularly those related to waste recovery and elimination.

To boost and provide an additional outlet for the research and innovation policy, in 2010, the Group created "Blue Orange", an innovation investment fund for new water and waste technologies. Blue Orange, with a budget of €50 million over 10 years (€0.5 to €2 million initial investment per project), acts as an investor and industrial partner for young companies developing innovative technologies.

The fund further completes the Group's efforts in the area of research and innovation and will help discover innovative technologies and convert the results of research into industrialsolutions.

6.3.2 PURSUIT OF GLOBAL DEVELOPMENT THAT KEEPS ITS ACTIVITIES LOCAL

The Group's activities are local by nature, and the Group's objective is therefore to be recognized by its clients as a local player. Its strategic goals reflect the dynamics of each region and the positions achieved by the Group.

6.3.2.1 CONSOLIDATE AND STRENGTHEN THE GROUP'S POSITIONS IN EUROPE

(a) In water

In France, a market in which it is firmly rooted, the Group intends (i) to expand its market share in the drinking and wastewater segment (increase in connections, advanced treatments, public service investments), and (ii) enhance its offer through the sale of higher value-added services to local authorities (preservation of water resources, predictive management of swimming-water quality, dynamic management of sewage network flows), to industrial clients (services to managers of industrial estates) and additional services offered to consumers (remote meter-reading, leak alerts, leak insurance, etc.). These actions should also strengthen the Group's competitiveness, particularly in terms of the renewal of certain of its major contracts.

In Spain, the Group aims at developing an approach that is both dynamic and local, to take advantage of growth opportunities offered (wastewater treatment, building and operation of desalination plants and wastewater recycling plants, etc.), while taking into consideration very specific regional characteristics. In June 2010, the Group finalized the friendly takeover of Agbar, as announced in October 2009. Through this transaction, SUEZ ENVIRONNEMENT has built its second European pillar in the water sector (see Section 6.5.2.2)

In Italy, benefiting from its positions in Tuscany, the Group seeks, either alone or through partnerships, to seize the development opportunities offered specifically by the Ronchi Decree-Law (described in Section 6.5.2.1.(b)).

In Germany, the Group will continue to analyze development opportunities, specifically in municipal companies (in the context of opening up the Stadtwerke equity), where appropriate, by using the local waste activities of SITA or of Electrabel in energy, through industrial and trade cooperation.

In Great Britain, the Group may also pursue development in water activities, notably through Agbar's activities in this market.

Finally, in Central and Eastern Europe, the Group will seek development based on its strong positions in the region, taking advantage of opportunities associated with the requirements to comply with European Community standards for water management infrastructure.

(b) In waste

The Group's ambition is to consolidate its traditional collection and treatment activities, by monitoring the entire waste value chain, and by bolstering certain positions, both geographically and in terms of business expertise. The Group also seeks to strengthen and develop its recycling and energy from waste-recovery activities.

In France, the Group intends (i) to continue growing and improve profitability in its traditional activities (collection and treatment) through productivity efforts, by raising operating and innovation standards, and through the industrialization of alternative treatment techniques, such as new recycling activities or methanization, and (ii) to strengthen the structuring of its positions in emerging sectors (remediation of polluted soils and sites, dismantling of vehicles at the end of their lives, processing of electrical and electronic equipment).

In Benelux and Germany, the Group intends to continue to integrate itself in the value chain, and to position itself to take advantage of opportunities in the recycling industry. Its functional services have also been consolidated to take utmost advantage of opportunities for synergies presented by these regions in their border areas. In the Netherlands, the Group's goal is also to pursue development of its collection activities through a dynamic commercial policy and the sale of complementary services, as well as to develop its waste treatment capacities.

In the United Kingdom and Scandinavia, the Group plans to support changes in treatment methods in recycling and recovery of various material flows. In Great Britain, the Group will also pursue its policy of being awarded complex integrated waste management projects.

In Central Europe and the Mediterranean, progressive compliance with European regulations, supported by European Community funding and the growing sophistication of waste management methods will have a positive impact in the coming years on the Group's activities. It will seek to strengthen its positions in Poland, the Czech Republic, and Turkey and to seize opportunities in new markets.

6.3.2.2 DEVELOP GROUP STRONGHOLDS IN THE UNITED STATES, CHINA AND AUSTRALIA

(a) The United States

Through United Water, a water and wastewater treatment services operator, the Group's objective is to (i) develop its regulated activities through investments in maintenance and in the expansion of its asset base and through the corresponding rate increases expected from the regulatory authorities, (ii) consolidate its service contract activities, specifically by entering into new contracts and selling technical assistance and (iii) develop service activities based on USG (see Section 6.5.4.2 (a)). At the same time, the Group intends to increase its portfolio of regulated and non-regulated activities around its current bases.

(b) China

In the water sector, through Sino French Holdings (SFH), a joint venture with the Chinese group New World, the Group intends to pursue growth by selectively developing new concessions, in particular in drinking water for municipalities, as well as wastewater treatment services for municipalities and industrial estates, particularly in the area of integrated sludge management, focusing on its bases in Macao, Shanghai, Beijing and Chongqing, in line with its current investment structures (joint companies and partnerships).

In the waste sector, the Group seeks to pursue development around its Hong Kong and Shanghai bases, by offering technically advanced solutions for integrated treatment and management of waste, particularly for industrial estates.

Finally, as illustrated by its location at the Shanghai industrial and chemical park, the Group intends to promote its two activities, water and waste, through a common trading approach, to meet the growing demand from industrial sites for an integrated multi-utility management service.

(c) Australia

In 2010, within the context of a sharp recovery, the Group continued to increase its market share, partly due to the activities of Degrémont and the progress in the building of the Melbourne desalination plant. This contract represents total revenue of €1.2 billion over 30 years for the Group. The construction of the plant should be completed by December 2011. It will be the largest desalination plant in the southern hemisphere.

In the water treatment business, the Group will continue to focus on new building contracts and/or the operation of desalination plants and the reuse of wastewater, as well as on certain major partnership or delegation of public service projects.

In the waste business, the Group aims to pursue a strategy that focuses on organic growth and key acquisitions. In particular, the Group intends to grow by being awarded contracts to treat household flows using alternative waste technologies and by seizing development opportunities that will arrive in niche activities (electronic, medical and plastic waste). The Group will also continue to take advantage of the consolidation process that the Australian waste market is currently experiencing, to strengthen its leading position in the business of recycling resources.

6.3.2.3 SEIZING ATTRACTIVE DEVELOPMENT OPPORTUNITIES IN CERTAIN REGIONS OF THE WORLD

The Group is looking for countries in which the "risk/return on investment" ratio will allow it to establish long-term bases for development. It is using the full range of possible delegation of public service contracts and is seeking new forms of partnership adapted to the specific features of the markets in question. Thus:

- on a global scale, Degrémont and Safege give the Group a very upstream position in its activities and provide the Group with a significant competitive advantage. Under this heading, Safege will intervene in a highly upstream manner on studies and master plans, the "program management" or by designing infrastructure, thereby distinguishing itself from its competitors through its long-term vision as an operator/manager that places a strong emphasis on sustainable development. Degrémont, on its part, intends to pursue its growth in its four business lines (design and build, operating services, equipment, managing BOT contracts) in both the mature countries where it is active, and in emerging markets;
- outside Europe, the Group will also seek to maintain and develop its positions;

Furthermore, in the water sector, the Group will seek to position itself in such a way that it is able to seize future opportunities on emerging industrial markets (Brazil, China and the Middle East) and respond to the growing demand for new treatment solutions.

6.3.3 MAINTAINING A BALANCED INDUSTRIAL MODEL AND IMPROVING OPERATING PERFORMANCE

6.3.3.1 MAINTAINING A BALANCED INDUSTRIAL MODEL

One of the Group's principal strengths lies in the diversity and balance of its exposure: service contracts, short-, medium- or long-term contracts, local authorities or industrial customers, regulated/non-regulated, mature countries, and emerging markets.

The Group seeks to allocate the capital invested in order to preserve the diversity and balance of its business portfolio, depending on the expected profitability and risks incurred by each activity. This approach is all the more significant since some of the Group's activities will experience growing capital intensity despite the development of new service activities. The Group considers itself well positioned to address this change and has the financial soundness needed to make such investments.

The Group's investment policy is carried out in accordance with strict financial criteria addressing the principles set forth in Section 6.3.4 of this document.

6.3.3.2 EXPLOITING POTENTIAL SYNERGIES

The Group is organized to promote maximum integration between the two activities, water and waste:

- joint research programs (odor treatment and energy recovery and biogas recycling);
- implementation of shared technologies (composting activities, methanization, treatment and recycling of sludge and treatment of leachates in wastewater treatment plants);
- generation of commercial synergies, such as in France, with a joint development department, or outside Europe, where some subsidiaries assume management of the two activities;
- joint commercial activities in the water and waste segments, to ensure an integrated multi-utility management service;
- savings in general expenses generated by combining corporate functions (finance, strategy, human resources, IT, communications, legal and development).

The Group also intends to pursue the exploitation of operational synergies with the GDF SUEZ Group's energy activities:

- combined project management, such as the recovery of renewable energy from waste, or the desalination of seawater (plants that combine energy production, thermal desalination, and membrane desalination);
- developing synergies as part of service offerings for the metering of fluids (in case of identical client issues);
- pooling resources in order to benefit from significant effects of scale, especially in purchases and R&D work.

6.3.3.3 IMPROVED PERFORMANCE

Historically, the Group has given high priority to the optimization of business profitability, notably through ongoing performance improvement plans.

The Group plans to pursue and expand its profitability efforts through the COMPASS program, which is part of an ongoing plan that has been in place for a number of years. COMPASS is an internal benchmark, which aims both to promote industrial excellence and control operating costs.

The program generated results of €190 million in 2008 and 2009, with €40 million in purchases, €83 million in operating profits, €54 million in SG&A and €13 million in health, safety and claims management.

At the end of 2009, the 2008-2010 objectives of €180 million had been exceeded, which resulted in the launch of a new COMPASS 2 program for the 2010-2012 period, with an overall savings objective of €250 million.

In 2010, the additional COMPASS 2 gains totaled €120 million, including €20 million in purchases, €63 million in operating gains, €34 million in SG&A and €3 million in health, safety and risk management.

These gains are the continuation of the particularly vigorous productivity efforts carried out during the economic crisis of 2008-2009 and the strong contribution by Agbar, through the implementation of competiveness schemes and the preliminary synergies associated with the global integration of the entity in June 2010.

The 2010-2012 objectives of the COMPASS 2 program were increased from €250 to 300 million net gain in EBITDA compared to end-2009.

With respect to purchases, COMPASS directly addresses purchase volumes of €2.1 billion on a total base of €5 billion in 2010. A portion of the efficiency gains is shared with customers. In addition, savings realized in the regulated sector (in the United States for instance) are returned to clients when rates are fixed. Savings on purchases are achieved through initiatives that frequently span the entire Group, such as the settling of bid invitations or negotiating framework agreements at the European level, even internationally in some cases, or by implementing synergies between countries or business units based on local characteristics. For example:

- negotiations for chemical products are jointly conducted by the Water and Waste purchase teams in France. Standardized specifications between countries facilitate negotiation at an international level for equipment such as containers, tires, chassis and dumpsters in the Waste services, and pumps, pipes, drying equipment and instruments in Water services.
- In addition to savings in unit prices, these projects aim to develop long-term partnerships with strategic suppliers enabling technological development, a control of operational processes and long-term continuous improvements in overall costs.

In terms of industrial efficiency, the COMPASS program is deployed across a wide variety of activities at all levels of the organization, in order to foster a sound culture of performance improvement, conveying the Group’s intention to adapt to still difficult macroeconomic conditions. These activities cover three main topics:

- the gradual optimization of certain commercial contracts (United Water, Degrémont, Lyonnaise des Eaux, Agbar, Australia, SITA France, SITA NEWS, etc.), the reduction of leaks in water networks (Lydec, Lyonnaise des Eaux, Palyja, etc.), focused management of large numbers of clients in the Water services as well as the promotion of electronic invoicing, the conversion of incoming correspondence systems to a paperless system, the increasing use of professional techniques in operations scheduling and in the use of GPS tools (Lyonnaise des Eaux), the optimization of waste flow management (greater in-sourcing of flows in the United Kingdom, orientation toward more cost-effective treatment systems, optimization of cross-border flows such as in the case of an incinerator at the border between Germany and the Netherlands, etc.), the optimization of collection costs (use of alternative fuels, maintenance of vehicles, a reduction in kilometers traveled, optimization of vehicle fleets), a highly professional management of operating processes in household and industrial waste (“Excellence” programs at SITA France) and more generally, thanks to ongoing benchmarking of all Water and Waste sites to promote the spread of best practice. Finally, the Group has strongly emphasized bringing down the costs of its energy consumption and enhancing its production capacities as effectively as possible (incinerators, treatment stations, new processes, promotion of new energies, biogas);
- the reduction of SG&A expenses gained greater significance in 2009 due to the economic crisis and has continued to be successful in 2010, particularly through a rationalization of the Group’s organizations and operating processes: integrated management, both in France, especially at SITA and Lyonnaise des Eaux (reorganization of regions and business lines) and overseas (rationalization of administrative and commercial costs, setting up shared service centers with a large scope for intervention). The combination of the head offices of the main French entities (SUEZ ENVIRONNEMENT, SITA France, Lyonnaise des Eaux, Degrémont and OIS), which was finalized in November 2010 at a single site at La Défense (near Paris) is expected to produce significant synergies.

6.3.3.4 MOBILIZING EMPLOYEES AROUND THE INDUSTRIAL PROJECT

Implementation of this strategy involves the permanent mobilization of the Group's expertise and employees. Priority is given to local recruitment, centralized career management and increased employee mobility among the Group's various subsidiaries and activities. To improve mobility, professional experience, and diversity in recruitment, strong links are maintained with GDF SUEZ and the various activities.

To offer employees incentivizing professional career paths, the Group will continue to anticipate changes in activities and adapt skills to new needs through a dynamic training policy. The Group intends to promote long-term relations with its employees and develop their commitment.

Finally, the Group's strategic planning includes a chapter on the long-term challenges facing Human Resources, to ensure that the objectives that have been set are consistent with projected growth in activities.

6.3.4 OUTLOOK

In 2010, SUEZ ENVIRONNEMENT announced a sharp rise in annual results, with acceleration in the development of its activities.

Within the context of a gradual economic recovery, SUEZ ENVIRONNEMENT will continue its growth policy in 2011 through to 2013, with the following objectives:

- **In 2011**
  - growth in total revenue equal to, or greater than, 5% compared with 2010, at constant exchange rates;
  - growth in Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of 10% or more compared with 2010 at constant exchange rates, including the effect associated with the acquisition of Agbar
  - Net Result Groupe share of over €425 million
  - free cash flow in 2011 greater than, or equal to, the 2010 free cash flow level
  - the selectivity of investments maintained.
  - Net Financial Debt / EBITDA ratio of around 3 times at the end of 2011, attained one year in advance compared to the previously announced objectives.
- **For 2012-2013**
  - average growth in total revenue of 5% or more, at constant exchange rates
  - average growth in EBITDA of 7% or more, at constant exchange rates
  - Net Financial Debt / EBITDA ratio maintained at around 3 times
- **Dividend policy:**
  - payment in 2011 of €0.65 euro per share for the 2010 results [1]
  - Annual dividend increase of approximately 5% over the next 3 years
  - long-term payout objective over 60%.

The Group confirms its long-term sustainable growth strategy with strong growth factors (regulation, population increase, urban development and increasing scarcity of resources requiring optimized water management and waste recovery).

The Group is well positioned to take advantage of the growth in its markets, especially in areas with a high potential such as Southern Europe in terms of the water and waste recycling activities and its ambitious and selective international development policy.

SUEZ ENVIRONNEMENT will use its competitive advantages to create added value in the water and waste cycles.

This outlook is based on data, assumptions and estimates the Group considers appropriate. It may change or be modified due to uncertainties, especially in economic, financial, competitive, regulatory and climatic conditions. In addition, the occurrence of certain risks described in Section 4 "Risk Factors" of this document would impact the activities of the Group and its ability to achieve its objectives. Moreover, to achieve these objectives requires the successful implementation of the strategy described in Section 6.3 of this Reference Document. As a result, the Group does not make any commitments or give any guarantees on the achievement of the objectives and forecasts described in this Section 6.3.4.

These objectives and prospects were based on accounting principles defined by the Group in drawing up the Consolidated Financial Statements presented in Section 20.1 of this Reference Document.

(1) Dividend which will be submitted to the Shareholders' Meeting to be held on May 19, 2011

6.4 PRESENTATION OF THE MARKET AND COMPETITIVE POSITION (1)

6.4.1 PRESENTATION OF THE WATER AND WASTE SECTORS

6.4.1.1 GENERAL PRESENTATION OF THE ENVIRONMENTAL MANAGEMENT SERVICE SECTOR

(a) General characteristics

The environmental management services sector covers all services provided to private parties, local public entities and industrial customers relating to (i) the production and distribution of drinking water or industrial processes, wastewater collection and treatment, waste management (activities that represented approximately 80% of total environmental expenditure in France in 2008; *source*: IFEN 2010), as well as (ii) air protection, measures for combating noise, protection of biodiversity and management of radioactive nuclear waste (which together represented some 20% of total environmental expenditure in France in 2008; *source*: *IFEN 2010*).

Increased demand for high levels of environmental protection has resulted in an increasingly strict, dedicated regulatory framework. This requires major investments within the required deadlines and effective and global management of related issues, which has led to the emergence of European or global players that specialize in environmental management services.

This change is occurring at different speeds, depending on the country.

The public's expectations for measures and actions for environmental protection are not diminishing, even within the most advanced countries in this regard. Therefore, 92% of the French are worried about the condition of the planet, and say they are concerned about environmental protection (*source*: *TNS Sofres, 2009*).

The growth in expenditure related to environmental protection is generally greater than growth in the gross domestic product. In France, from 2000 to 2008, the average annual rate of growth in expenditure linked to environmental protection was therefore 5.2%, compared to 3.9% for gross domestic product during the same period (source: *IFEN, 2010*).

(b) Growth in environmental management services

Changes in regulatory requirements, higher expectations from end users and, consequently, the complexity of the corresponding infrastructures and services encourage local public entities to seek the expertise and collaboration of private operators.

Like local public entities, in order to concentrate on managing their core business and satisfy the need to control environmental costs, large international companies in the industrial and service sectors are increasingly outsourcing to specialized players with the technical and operational resources to efficiently provide these environmental management services.

The use of specialized private operators by these major international players in the industrial and service sectors is also increasing because of the global deployment of these companies; concerned with efficiently managing these problems, they want to entrust these services to specialists that are just as global, in order to facilitate management and be assured of receiving uniform service at all their sites.

(c) Growth factors in the environmental management services sector

The Group believes that the environmental management services markets will grow in the long term, notably because of a combination of macroeconomic factors such as:

- world demographic growth (average annual growth of 1% by 2020) (*source*: *United Nations, 2010*);
- increased urbanization, particularly in emerging countries (in 2030, nearly 60% of the world's population will be living in urban regions – compared to 50% at present) (*source*: *United Nations, 2010*);

(1) *The market data presented in this document come primarily from databases and studies carried out by Eurostat and l'Institut Français de l'Environnement -IFEN, the French Institute for the Environment- presently a unit of the Service de l'Observation et des Statistiques — Monitoring and Statistics Service). At the time of writing, data or studies more recent than 2008 are not available for all countries in which the Group operates, to the knowledge of the Group.*

- world economic growth estimated at an average of almost 4% per year during 2011-2015 (*source*: *Oxford Economics 2010*);
- increase in the prices of raw materials, which are set to remain high over the long term, increasing the economic attractiveness of waste recovery, through either recycling or energy recovery;
- the need to adapt to climate change, which will affect water resources most particularly.

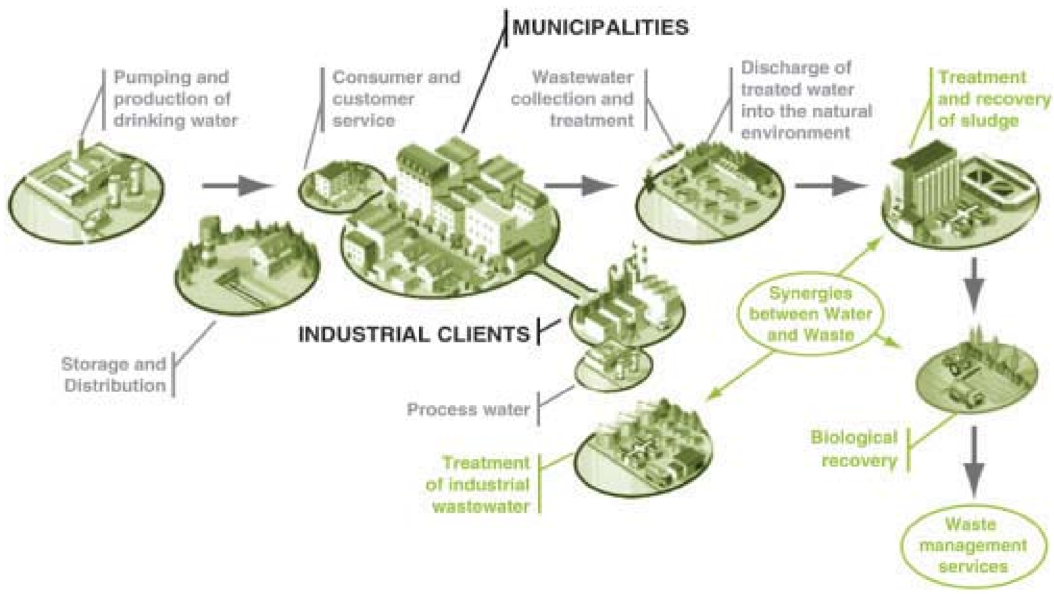
In addition to these macroeconomic factors, the Group believes these markets should expand through a combination of various factors specific to the sector:

- greater attention paid to environmental protection around the world;
- greater demands from the public for better hygiene, quality of life and health and changes in consumption linked to an improvement in living standards;
- stricter and more rigorously applied environmental regulations;
- very large and yet unfulfilled needs for access to drinking water and wastewater treatment (currently, over 800 million people have no access to a permanent supply of drinking water and it is estimated that 2.6 billion people do not have an improved wastewater treatment system) (*source*: *United Nations, 2010*);
- the growing number of areas affected by insufficient water resources, or that are in a state of water stress, particularly related to global warming. By 2030, the number of individuals in a situation of severe water stress is expected to rise from 2.8 to 3.9 billion (*source: OECD – Environmental outlook to 2030, 2008*).

The Group believes it is possible to expect higher long-term growth on its markets compared to GDP growth.

6.4.1.2 PRESENTATION OF THE WATER SECTOR

(a) A value chain that uses complex industrial processes



(b) A sector characterized by significant investment and customized growth based on specific local characteristics

The Group believes that, for the European Union, the water-related environmental service sector represents approximately €85 billion per year (2010 estimate). All the European countries are expected to invest some US$800 billion in water production and distribution and wastewater treatment between 2006 and 2025 (*source*: *Financing water and wastewater to 2025, D. Lloyd Owen, 2006*).

With regards to the supply of drinking water in some developed countries, a slight decrease in volumes consumed is being observed, notably due to the increasing use of water-saving equipment, and the implementation of industrial production processes that consume less water. For example, in France, the Group estimates that the volumes of water billed have declined on average by over 1% a year, for the last fifteen years.

Nevertheless, this trend has been offset by the provision of more sophisticated interventions and additional consumer services in terms of water production, water distribution and wastewater treatment.

In the United States, the size of the environmental management service sector for water is US$88 billion, including US$63 billion for site operation activities (*source*: *GWI Study, 2010*). It offers major opportunities for consolidation due to the very high number of small local players as well as acute needs in terms of infrastructure replacement (a US$500 billion investment is anticipated for the 2006-2025 period) (*source*: *Financing water and wastewater to 2025, D. Lloyd Owen, 2006*).

Finally, in emerging countries, where very significant needs are still unfulfilled, the Millennium Goals, adopted in 2000 by members of the United Nations during the World Sustainable Development Summit, stress the fact that access to drinking water as well as adequate wastewater treatment services are necessary to protect human health and the environment. In this regard, the Millennium Declaration invites governments to commit to reducing by half the proportion of people who do not have access to drinking water or wastewater treatment by the year 2015. Meeting these objectives will require highly significant annual investments in the near future. These countries, therefore, offer significant growth opportunities for the building and operation of water treatment plants, and for water management services. In this second case, opportunities are associated with potentially high risks that must be controlled by defining appropriate contracts prior to planning operations in these countries. Five years from the deadline determined for the Goals, many investments have yet to be made.

(c) A market increasingly controlled by private players

The Group believes that the use of private players (the portion of the world population served by the private sector totaled 12% in 2010) (*source*: *Pinsent Masons Water Yearbook 2010-2011)* should grow significantly in the long term, particularly in the form of public-private partnerships, notably for the following reasons:

- private operators, which benefit from longstanding and diversified experience, have top-level skills;
- consumer requirements in terms of water quality and related services are increasing;
- regulations continue to tighten throughout the world; particularly in the European Union, environmental European Directives and their various revisions define and strengthen the current regulatory obligations;
- among the 15 "initial members" of the European Union (1), some are late in transposing into domestic law the technical European Directives related to water, particularly the 1991 European Directive on urban wastewater;
- the "new members" of the European Union (2) must comply with the European standards;
- pressure on public expenditures, greater demand from consumers for efficient public services, and the activity's increased technical level are encouraging many public entities to take the path of public-private partnerships.

Local situations vary as to the use of the private sector by local public entities with regard to water services; thus:

- in France, municipal water systems often entrust management to the private sector, with municipalities retaining ownership of their assets;
- in the United Kingdom, the water sector has been almost entirely privatized since 1989, while operators, in this case, own the infrastructure. These operators are increasingly focused on managing investment programs and tend to subcontract operations and maintenance;
- In Spain, the Group estimates that private operators currently represent approximately 50% of the drinking water production and distribution sector, and approximately two-thirds of the wastewater treatment sector (*source*: *internal estimations*); the Group believes use of the private sector is set to rise in the coming years;
- in Germany, municipalities largely manage their services through the *Stadtwerke* system (local public companies responsible for managing certain public services), with private operators in a partnership position. The Group believes the private sector could grow by opening up the equity of the *Stadtwerke* and by pursuing the development of management contracts, particularly in the area of wastewater treatment;

(1) Namely, Germany, Austria, Belgium, Denmark, Spain, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, the United Kingdom and Sweden.

(2) Namely, Poland, Romania, Hungary, Czech Republic, Bulgaria, Slovakia, Lithuania, Latvia, Slovenia, Cyprus, Estonia and Malta.

- in the United States, the Group believes that the private sector is responsible for managing 8% of the operating activities. The Group believes that the private sector's share should increase in coming years: with regard to service contract activities, growth may originate from the increased use of private operators by municipalities, and in terms of regulated activities, the private sector is expected to benefit from consolidation in this sector.

6.4.1.3 PRESENTATION OF THE WASTE SECTOR

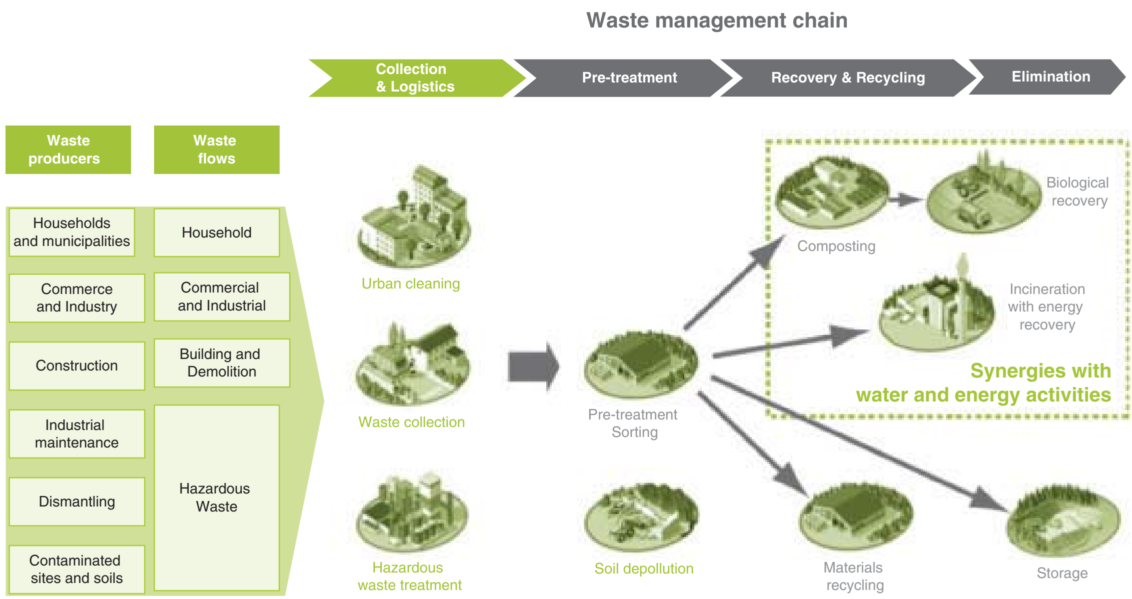
The existence of a market for waste management services requires:

- a minimum level of economic development: countries only allocating a portion of their wealth to waste management after meeting their other, higher-priority needs (particularly access to drinking water);
- identifying and applying environmental regulations;
- guaranteeing a certain level of contractual stability;
- public awareness of the environmental issues.

Each country presents specific characteristics and therefore the nature of the services proposed by operators must be adapted accordingly. Thus, in the least developed countries, demand corresponds essentially to waste collection and removal services provided by local operators; in emerging countries (Central and Eastern Europe, North Africa, the Middle East and China), demand extends to additional selective collection services, pretreatment, and sorting; finally, for more mature countries (the "original members" of the European Union, North America, Japan and Australia), demand is for complete services that also include biological treatment, material recovery (sorting and recycling, composting and biological recovery) and energy recovery.

Given these specifics and the complexity of market/business approaches varying by country and region, with few exceptions there is little pertinent and up-to-date data available on individual markets and/or geographic regions.

(a) A complex value chain integrating several segments



(b) The various types of waste

Four principal sources of waste define the scope of the Group's activities: municipal solid waste, industrial and commercial waste, building and demolition waste, and hazardous industrial waste (excluding waste that may be contaminated by radioactive nucleides generated by nuclear activities). In 2008, these sources represented an annual waste volume of around 2 billion metric tons in Europe (*source*: *Eurostat, 2008 data*); this total covers a range of scenarios from more mature countries to less developed countries in terms of waste management services.

Waste products from agricultural activities, mining activities, and quarries also represent very significant flows, but are not included, or count for very little, in the scope of management of the sector's operators (1).

(i) Household and municipal solid waste

The production of household and municipal solid waste totaled virtually 220 million metric tons in 2008 in the 27 member states of the European Union (*source*: *Eurostat, 2008 data*), over 80% of the waste was generated by the "original" members of the European Union.

The volumes of household and municipal solid waste produced grew steadily in Europe between 1995 and 2008 (average annual growth of 1% (*source*: Eurostat, 2008 data (2)) but the trend seems to have shifted since 2000, notably with the slowdown in the increase in the "original" member states of the European Union.

The volume of household and municipal solid waste depends primarily on the following:

- economic growth and consumption trends: a richer population consumes more, acquires more complex products, which it replaces frequently, thereby generating greater quantities of waste requiring more elaborate treatment;
- population growth and its social organization: thus, for example, the increasing number of single-individual households results in increased individual packaging;
- the level of development of the country and its environmental culture: the higher the level of development and the greater the awareness to environmental problems, the more the population agrees to allocate a greater part of its income to waste management services; this dynamic can even result in a reduced amount of waste produced.

The Group believes that the volume of household and municipal solid waste in Europe should increase by an average of 1.5% per year to 2020, but with significant disparities between the "original" and the "new" members states of the European Union (*source*: *ETC/RWM*).

(ii) Industrial and commercial waste

The production of industrial and commercial waste totaled approximately 680 million metric tons in 2008 in the European Union (*source*: *Eurostat, 2008 data*) and over two thirds of the waste was generated by the "original" members of the European Union.

The production of this waste and its growth depend on the type and scope of industrial activities. The increase in the relative weight of the service sector, relocation (for the more developed countries), and industry efforts to reduce manufacturing residues are the principal factors limiting this volume of waste.

The crisis that started in 2008 has had a certain impact on the volumes of industrial and commercial waste generated in Europe. However, the Group believes that the volume of industrial and commercial waste generated in Europe ("original" members only) should rise on average 2.5% per year up to 2020 (*source*: *ETC/RWM*).

(iii) Building and demolition waste

The production of building and demolition waste totaled over 860 million metric tons in 2008 in the European Union (*source*: *Eurostat – 2008 data).*

The types of waste included in this category are the ones that vary the most significantly from one country to another. Moreover, only a small part of this waste is optimally managed. The Group is relatively underexposed to this type of waste.

(iv) Hazardous waste

The production of hazardous waste totaled around 100 million metric tons in 2008 in the European Union (*source*: *Eurostat – 2008 data).* The criteria for the hazard level of waste are defined by regulatory classification. Based on these criteria, European regulations have developed a list of types of hazardous waste. Changes in the characteristics of the waste or of the classification may lead to a change in the scope of this source.

(1) It should be noted that an evaluation of waste volumes generated is also difficult because of the heterogeneous nature of the definitions and the data collection methods at the European level, and even more so at the global level, particularly with regard to the allocation of waste in each waste segment. Moreover, each type of waste mentioned receives a different, and therefore quite variable, treatment; mix treatment analysis is therefore necessary to complement the volume analysis.

(2) It should be noted that a strict comparison of Eurostat historic data is not possible because Eurostat modified not only the current data but also the historic data when it was updated.

Hazardous waste consists primarily of industrial waste. Production of this waste and its growth depend on the type and scope of industrial activities in a given region. The location of industries and their efforts to adapt the quantities of materials used in their manufacturing processes more effectively and to reduce residual quantities are therefore critical factors for this source of waste.

Hazardous waste may be treated for recovery and/or elimination according to three main methods: physical, chemical or biological treatment, thermal treatment (incineration, co-incineration), and landfilling.

(c) Waste treatment methods

The level of treatment (number and complexity of stages) applied to waste after collection is an important parameter that is inseparable from the analysis of growth in tonnages.

Waste is collected, sorted and then treated using different methods:

- after collection, the waste is directed towards recovery sites (monoflow), either towards transfer and sorting platforms, or directly to treatment facilities; the volumes sent directly to final treatment facilities are sharply declining due to measures implemented to achieve regulatory targets for waste recovery as set by domestic or European Community governments (for example, the obligation to exclusively landfill "final" waste, i.e. waste that has undergone prior sorting/pre-treatment);

- sorting consists of identifying and separating: portions that can be recovered as a resource for the production of "secondary raw materials" (metals, plastics, glass, wood, etc.); portions recoverable in the form of energy (production of refuse-derived fuel, or RDF, incineration with energy production); recoverable organic portions in the form of product and/or energy (composting and methanization); inert portions recoverable in the form of fill material; and finally, the residual portions treated by landfilling;

- landfilling is the oldest disposal technique; on the other hand, it has been considerably improved and currently requires advanced technical know-how: for example, the installation of sealing membranes, management by compartments (cells) to reduce impacts and diminish the surface area in contact with rain water, management of leachates, monitoring after site closure (generally 30 years), proactive management of the decay of organic matter to produce energy (bioreactors);

- energy recovery through incineration allows energy production (electrical or thermal) from waste: this technique is currently widely used in the most developed countries from an environmental standpoint; it often requires significant investments.

(d) Regulatory framework

The European waste policy, particularly regarding the treatment of waste, now focuses to an increasing extent on waste recovery. The Directives set medium- and long-term targets for reduction of the volumes of waste generated and increase in recovery rates. The various Member States then choose the most appropriate methods to achieve these targets at domestic level by implementing, for example, financial incentive systems for recovery, by imposing pre-required standards (mandatory preliminary sorting, defining maximum thresholds for organic portions or the calorific power of acceptable residues at landfills), by levying taxes on tonnages eliminated, or even by implementing broader manufacturers' liability schemes (for example, in terms of packaging, or for electrical or electronic products at the end of their lives).

The breakdown among the various methods of waste treatment used varies considerably from country to country. Thus, while the United Kingdom and Spain still currently treat over half of their household and municipal solid waste by landfilling (55% and 57%, respectively), the Netherlands and Germany only marginally use landfill (approximately 1%), favoring methods that allow for waste recovery.

(e) Cost of treatment

Price ranges vary significantly from one treatment method to another. The average price of landfilling, excluding tax, is historically lower than other treatment methods. This is followed by composting. Incineration, biomechanical treatment and biomethanization incur the highest prices [1].

Several European countries, however, have implemented tax systems intended to enhance the relative attractiveness of other sectors in the context of regulatory targets limiting volumes sent to landfills. This has been the case in the Netherlands, the United Kingdom and France since January 2009.

(1) It should also be noted that biomechanical treatment and biomethanization are the exceptions, as they are treatment stages rather than methods of recovery or elimination; they therefore do not exclude disposal at landfills, incineration, and composting.

In some of these countries, this tax has now reached significant levels, which for end users means a squeeze in the range of prices for available treatment solutions.

According to the Group, in the future the trend should converge toward more elaborate treatment solutions (for example, sorting, recovery, energy from waste production) under the combined effects of the regulatory targets resulting from the application of European Directives and the increase in the price of raw materials and energy.

(f) Intervention by private operators

In Europe, the rate of penetration in the waste market by private operators varies significantly from one country to another for both collection and treatment activities. The gradual transposition of European Directives by all member states of the European Union by 2020 should result in significant investments in waste recovery methods and should require technical skills suitable for the building and operation of these facilities. Although it is not impossible that we will see certain communities attempt to take over industrial and commercial waste management, these changes should lead local authorities to use private operators more often, which will particularly benefit integrated private operators that are active in all segments and that combine broad financial expertise with advanced technical skills.

6.4.2 COMPETITION

The Group faces competition from a number of other operators, including:

- public operators who may decide to retain or resume management of their infrastructures after analyzing and comparing the services offered by private operators; they may also offer proposals for markets in other regions or cities;
- large private operators, already well established in their domestic markets and seeking to expand their activities or services and use their expertise in areas that show strong potential;
- local operators adopting aggressive strategies when participating in bidding processes;
- new financial players (private equity and infrastructure funds) investing in markets through asset and company acquisitions;
- companies involved in related industrial sectors seeking to expand their offerings to environmental management services, particularly building and public works companies in the waste sector and equipment suppliers in the water sector (for example, General Electric and Siemens), by positioning themselves on "BOT" (Build, Operate, and Transfer) contract segments, allowing them to apply their building expertise, as well as their ability to manage and operate those assets.

Most of these players, however, are not active in as broad a range of segments as the Group's, either in terms of services, technical skills, or geographical locations, even though through grouping or diversification strategies, these competing companies are working to expand the scope of their activities to satisfy customer expectations. Through its presence in all water and waste cycles, to which it is exclusively devoted, the Group believes it holds leading positions across all its businesses lines.

Consequently, any global numbers related to these competitors, especially in the waste sector, are not very pertinent as they do not reflect the local structure of these various market.

The Group's main private competitor is Veolia Environnement. This company provides a combination of services, including water and waste, and is also active in the energy and transport sectors. Veolia Environnement and the Group are the only "global providers" in the environmental management services market on a worldwide scale.

6.4.2.1 COMPETITION IN THE WATER SECTOR

In terms of revenues, the Group ranks second, behind Veolia Environnement, in the global market for environmental water-related services. The Group and Veolia Environnement are the only two global players present throughout the entire value chain, as other companies active in this market have a more local management scope and lower revenues.

On a domestic and regional level, competition often comes from local operators in the building and public works sectors.

In France, Veolia Environnement and Saur are the Group's primary private competitors. Gelsenwasser, which became the sole shareholder of Nantaise des Eaux in 2009 and also of other operators in the waste sector (Pizzorno, Derichebourg, and Remondis), is seeking to extend its market position.

In Spain, where the Group remains a leader in terms of its revenue and the population it serves, 2010 saw the emergence of a new competitor – Remondis – through the acquisition of OMS-Sacede, a company providing water and sanitation services to 1 million inhabitants throughout the country. The Spanish companies, Aqualia (FCC) and Acciona, were particularly active at local and international level. Aqualia has recently signed agreements with BERD to support its development in Eastern Europe; and Acciona has agreed a number of contracts in Latin America (especially in Mexico).

In Germany, competitors include, on the one hand, major energy groups such as E.On, RWE and EnBw, and on the other, major players in environmental services, such as Veolia Environnement and, to a lesser extent, Remondis. Companies in the first group are largely active in the water sector, often as minority shareholders in Stadtwerke, companies that own and manage municipal distribution networks for water, electricity and gas. Water distribution is not at the core of their strategies. Finally, companies owned by municipalities – particularly Stadtwerke – are among the first to participate in tenders to bid for the delegation of services organized by other municipalities in the same region.

In Italy, the market share of the private sector in the water industry should increase in the future due to the "Ronchi Decree-Law", approved in November 2009, involving the liberalization of public water services management. This decree requires competitive bids for the allocation of water management services (allowing private firms to play a greater role in the sector). Moreover, for contracts signed without competitive process, it limits local municipalities to a 40% ownership interest in companies currently 100% publicly owned, and 30% in listed companies (e.g., Acea, Iride and Hera) by 2015. The additional population that might be served by the private sector as a result of this law is 35 million.

In the rest of Europe, it should be noted that, in 2010, Veolia Environnement signed an agreement to take over a certain number of activities of the United Utilities Group, especially in Bulgaria (Sofiyska Voda), in Poland (Aqua SA) and in the United Kingdom.

In the United States, American Water Works is the market leader; however, it only operates on a national level. At the end of 2009, RWE finalized its portfolio rationalization strategy and completed its withdrawal from American Water Works (after selling Thames Water in 2006), which resulted in a profound restructuring of the management structure of the American leader. Whilst its restructuring activities are ongoing, the main competitors of the Group (through United Water) are Aqua America (which is continuing its tuck-in policy in the regulated market) and Veolia Environnement (focused on the unregulated market for service contracts). In 2010, certain financial backers have favored major water operators, as witnessed by the acquisition by JP Morgan and Water Asset Management of Southwest Water in September.

Finally, the emergence of credible local players in drinking water and wastewater treatment facilities should also be noted, particularly in Asia: the Singapore group Hyflux and the Philippine group Manila Water, and the Chinese groups, Beijing Capital and Beijing Enterprises Water. Certain Japanese groups such as Sumitomo, Mitsubishi, and Mitsui have also shown a growing interest in the water sector in the Asia-Pacific region, and have invested massively this year (as is the case of Mitsubishi in Australia) or have entered into joint ventures with local companies (in China or India) to penetrate or develop their presence in such markets.

6.4.2.2 COMPETITION IN THE WASTE SECTOR

The Group ranks fourth in terms of revenues in the international market for waste-related environmental services, behind Waste Management, Veolia Environnement, and Republic Services (including Allied Waste since the end of 2008). Except for Veolia Environnement, most of the Group's competitors in the waste sector are national players and/or do not provide all the services offered by the Group.

In Europe, the Group's primary competitors are Veolia Environnement, Remondis, FCC, and Urbaser. Over the past three years, the German group Remondis has become the waste industry leader in Germany. It is ranked third in Europe in terms of revenues, but it is still focused on Germany as well as Central and Eastern Europe.

The crisis, which severely affected the waste sector in the second half of 2008 and in 2009, significantly slowed the consolidation trend witnessed for several years in the European waste sector. A major consolidation trend from 2006 to 2008 involving FCC (with Waste Recycling Group and ASA), Veolia Environnement (with Cleanaway UK, Biffa Belgium, Sulo, TMT and Bartin), Séché Environnement (with Saur) and Remondis (with TSR) and Alba-Interseroh, can be contrasted with a trend for smaller acquisitions, mainly in the recycling sector in Northern Europe.

By contrast, in 2009, Veolia Environnement rationalized its activities portfolio by selling Veolia Propreté Nettoyage and Multiservices (urban sanitation) in France, and Montenay International (specializing in energy recovery from waste) in the United States.

In the United Kingdom, the Group's competitors were extremely active in 2010 (acquisitions, requests for permits) and voiced a clear desire to expand in the energy recovery and recycling segments, in response to the government's strategy for reducing the amounts sent to landfill sites.

Given the relative fragmentation of the waste market, which comprises a significant number of small local players, the Group expects a continuing trend of mergers and acquisitions in this market, notably in the recycling sector, as the crisis has left major opportunities for consolidation.

In Australia, a country where private operators manage virtually the entire market, the sector is still undergoing consolidation.

In Asia, the waste sector is undergoing rapid growth, especially in China, where the authorities are encouraging energy recovery solutions. Public companies – or companies supported by the public sector – such as Everbright and Tianjin Capital are active in these markets, often in partnership with international waste management groups.

6.5 DESCRIPTION OF THE GROUP'S MAIN ACTIVITIES

The Group provides services and equipment essential to life and environmental protection in the areas of water and waste: delegated management of drinking water and wastewater treatment services, water treatment engineering, as well as waste collection, recovery, and disposal activities for both public authorities and private sector customers.

In 2010, the Group earned total revenues of €13.9 billion. The various activities break down as follows:

- Water Europe, which represented 31% of the Group's consolidated revenues in 2010, i.e., €4.2 billion;
- Waste Europe, which represented 42% of the Group's consolidated revenues in 2010, i.e., €5.9 billion;
- International (Degrémont and activities outside Western Europe), which represented 27% of the Group's consolidated revenues in 2010, i.e., € 3.7 billion.

In the water sector worldwide:

- in 2010 the Group provided approximately 91 million people with drinking water; it operated 1,200 drinking water production sites and produced approximately 3.8 billion m^3 of drinking water; and
- in 2010 the Group provided wastewater treatment services to 61 million people; it operated around 1,800 wastewater treatment plants and biologically treated approximately 3 billion m^3 of wastewater;

In the waste sector worldwide:

- as of December 31, 2010, the Group provided collection services to approximately 50 million people;
- it used a fleet of approximately 12,900 trucks and operated 118 composting platforms, 48 incineration sites (45 of which have energy recovery capacity), 601 sorting and transfer stations, and 138 landfills.

6.5.1 PRESENTATION OF THE GROUP'S ACTIVITIES

6.5.1.1 WATER ACTIVITIES

(a) Complete management of the water cycle

Through its subsidiaries, the Group covers the entire water cycle value chain for all its customers (public authorities and private sector customers):

- studies and master plans, modeling of networked and natural water flows (water tables, rivers, coastlines), and engineering of water management infrastructure projects;
- engineering, design, and building of water treatment plants through its subsidiary Degrémont (see Section 6.5.4.1);
- drinking water distribution and wastewater treatment services, including:
  - production and distribution of drinking water: catchment, treatment, and distribution of drinking water,

- wastewater treatment service (collective and non-collective): collection, clean-up and disposal of wastewater and rainwater

- customer management: relations with end users and consumers, meter reading and the collection of payments made by end consumers; and

- for private sector customers, defining, building and operating tailored and scalable water management solutions and selling high-end water treatment equipment; the Group's offer to private sector customers includes the management of water resources, process water, wastewater and effluents, as well as sludge.

The Group offers a broad range of services, from drinking water production to wastewater treatment. It offers services in the following five areas:

- Water pumping and treatment

  Pumping is the operation that extracts water from rivers, water tables, and reservoirs to be piped to treatment plants. Treatment depends on the quality of the raw water and may involve numerous stages: pre-treatment (screening), clarification, filtration (elimination of finer particles), refining (elimination of micro-pollutants) and disinfection (elimination of viruses and bacteria).

- Storage and distribution

  Reservoirs constitute security in the event of production problems, consumption peaks, or pollution of resources. The underground distribution network is controlled in order to ensure stability of water quality and to prevent leaks.

- Customer service

  Specialized units are responsible for ensuring relations with consumers, taking into account the local situation: contract signings, meter reading, invoicing and account adjustment or maintenance.

- Wastewater collection and treatment

  Sewage networks are an essential factor in combating domestic pollution. They must pipe all wastewater to the wastewater treatment plant. Wastewater treatment requires a set of complex physical and biological procedures. Sewage networks are also used to collect and drain rainwater, using techniques that make it possible to separate it from wastewater, if needed.

- Sludge

  Treating 1 m³ of wastewater produces 350 to 450 grams of raw sludge. Sludge drying and treatment processes reduce its volume. In France, most sludge is recycled in agriculture through spreading, conversion to compost, or recovery as energy.

The Group has recently offered its customers new dedicated environmental services (audits and assistance in reducing the environmental footprint of their water services in the territories, quantitative management of resources to counter the impact of climate change, a service to improve the water quality of rivers, lakes and swimming areas), and also offers a new range of services for habitats and people, to control water consumption (leak alert, remote meter-reading, leak insurance and assistance).

(b) Contractual relations with customers in the water sector

The Group's customers consist largely of local public authorities, while private sector customers (mainly through Ondeo Industrial Solutions in Europe) represent a largely minority share of its revenues. However, under public service contracts, the Group also serves local industrial and commercial customers.

(i) Contractual relations with local public authorities

In general, local authorities are responsible for organizing both drinking water distribution and wastewater treatment services. They may choose to manage these directly (as a state-owned company) or rely on an outside operator, which may be public, private, or semi-public.

Contracts entered into by the Group and public authorities are governed by the rules for public contracts and/or specific competitive procedures.

The Group distinguishes:

- the delegation of public service contracts in France, or their equivalent outside France, including leasing and delegation of public service contracts, and all intermediate contractual forms. Under these contracts, the Group is responsible for all service management (water production and distribution and/or wastewater treatment): it is involved in managing relations with end users, meter reading, preparing invoices and collecting payments made by end users. The Group engages in this activity at its own risk and is compensated by billing users; a portion of the sums billed is paid back to the local authorities to finance new investments. Leasing contracts are distinguished from the delegation of public service contracts depending on the size of the investment, which is the responsibility of the private operator. Most of the Group's contracts in France are leasing contracts and these generally involve long-term contracts, generally 10 to 20 years; and

- contracts for services and works; in this case, operations and works are billed to the relevant local authority. This involves medium- or long-term contracts, generally 5 to 20 years.

In general, public authorities own the assets involved in drinking water and wastewater treatment services. However, in certain countries (notably Great Britain and the United States), the Group owns the assets it operates. In this case, there are no contractual relations with public authorities. Relations between the private operator and the various customers and other stakeholders are then governed by a regional or national regulator under an operating license issued by the regulator. Moreover, in France, for historic reasons, the Group owns certain assets (see Section 8 of this document).

(ii) Contractual relations with industrial customers

The Group is also active in the entire water cycle with industrial customers operating under design and build contracts, service contracts, such as operating and maintenance agreements, and the supply of mobile processing installations and/or equipment sale agreements. Contracts are then generally entered into for shorter terms, most often from 1 to 5 years, such as within the context of service contracts.

6.5.1.2 WASTE ACTIVITIES

(a) Complete management of the waste cycle

The Group manages the entire waste cycle through an involvement in all stages of the waste management services, and in almost every form:

- collection of non-hazardous waste from local authorities and companies, sorting, pretreatment, recycling, and material and biological recovery (which mainly includes agricultural recovery and the remediation of poor soils), energy recovery (incineration, co-incineration and methanization) and landfilling, including the recovery of biogas;

- hazardous waste management (excluding waste that may be contaminated by radioactive nucleides from nuclear activities);

- urban wastewater treatment and cleaning: maintenance of municipal and industrial networks and participation in cleaning industrial production tools; street washing/sweeping, maintenance of urban fixtures; beach cleaning and snow removal;

- soil remediation: treatment of polluted sites, soil, subsoil, and water tables, dismantling and reconversion of buildings; and

- dismantling and disassembly of end-of-life vehicles, aircraft and boats.

The Group offers services in the following areas:

(i) Non-hazardous waste (collection, recovery, treatment, elimination)

In the waste segment, the Group collects, sorts, recycles, recovers and eliminates waste of municipal or industrial origin.

COLLECTION

Each day the Group collects waste of all kinds from private individuals, companies, and public entities: household waste, organic waste, non-hazardous industrial waste, medical waste, and liquid and solid waste.

The Group has a fleet of trucks suitable for all types of waste collection: mixed waste collection, selective collection, bulk items, medical waste, and industrial waste, in urban and rural environments. Waste from selective collection (plastic, glass, metal, paper, etc.) is sent to sorting sites to be prepared for recycling; residual waste is sent either to transfer/sorting/pretreatment platforms or directly to incineration plants or landfills. Certain waste products may be highly polluting (batteries, aerosol cans, etc.). They are then sent to specialized sites for cleaning and packaging before treatment or recovery.

MATERIAL RECOVERY

Household or industrial waste from selective collection is sent to one of the 350 sorting sites operated by the Group. It is then sorted by type (plastic, glass, paper, cardboard, metal), packaged and consolidated by the recovery division on appropriate platforms. Recoverable materials are then sent to appropriate processing areas and sorted (non-recyclable) waste is recovered for energy whenever possible by incineration or, if not possible, it is landfilled.

The economics of recycling are intended to afford industrial customers a steady supply of quality recycled materials and provide waste producers ongoing management of their waste in compliance with applicable regulations. Recycling activities (for example, metals and plastics) are also organized around specific collections.

In 2010, the Group managed over 19 million metric tons of waste set for recycling. Of this total, over 13 million metric tons were treated for material recovery. This made it possible to return 8.9 million metric tons of secondary raw materials (paper, cardboard, glass, metal, plastic, and wood) to the market. In addition to its "classic" recycling activities, the Group has put in place dismantling and recovery facilities for Waste Electrical and Electronic Equipment (WEEE), End-of-Life Vehicles (ELV) and is in the process of implementing business involved in the dismantling of end-of-life aircraft and ships: especially via the company "Re-source Industries", established in partnership with the automobile dismantling company, INDRA.

In 2007, the Group opened its first European center for the dismantling and recovery of ELV vehicles and in 2009 a new center opened at the SITA Agora eco cluster, in Pas-de-Calais (northern France).

At its clients' request, the Group is also pursuing the implementation of industrial processing solutions to recover residual waste such as mechanical and biological sorting of waste (MBS).

COMPOSTING AND BIOLOGICAL RECOVERY

Composting is a natural process that consists of converting organic waste into soil conditioner. Four types of waste are involved: (i) green waste from households and public entities, as well as by-products of the wood industry (bark, sawdust, etc.); (ii) the organic portion of household waste, restaurant and supermarket waste; (iii) sludge from wastewater treatment plants; and (iv) sludge and by-products from paper and agri-food producers.

Numerous analyses are performed on organic waste before, during, and after its conversion to compost. Air from the composting process is captured and treated to reduce odor pollution.

Sludge management is at the core of the Group's know-how. The Group assists local authorities in their sludge recovery and waste composting projects.

ENERGY RECOVERY

Waste may also be recovered through incineration. Thermal treatment of waste has several advantages: it reduces waste mass and volume, it is rapid and hygienic, and it produces energy (largely renewable) that can be recovered in the form of electricity and/or heat.

Six types of waste may be recovered for energy: (i) household waste, (ii) industrial waste similar to household waste, (iii) waste from sorting sites, (iv) medical waste, (v) sludge from wastewater treatment plants, and (vi) hazardous waste.

In the incineration plants operated by the Group, waste is burned at high temperatures, in accordance with regulatory requirements. Heat released by the combustion is recovered in steam boilers. This steam allows electricity to be produced and also supplies heat networks.

In 2010, the Group's incineration units treated approximately 5.6 million metric tons of waste, and produced over 2,400 GWh of electricity, resulting in the sale of more than 1,000 thermal GWh. The gases produced by waste combustion are purified using dedicated treatment systems prior to discharge into the atmosphere. Solid waste essentially consists of bottom ash, which is reused for road beds after undergoing suitable treatment or disposed of at landfills, as well as ash and purification residue from smoke, which is land filled after stabilization.

This activity is subject to numerous regulatory and technical constraints designed to reduce impact (smoke discharges, production of bottom ash and fly ash) and to recover energy produced by waste combustion in the form of heat and/or electricity.

Organic waste may also be recovered for energy through methanization. This process of decomposition of natural organic matter – through microorganisms and in the absence of oxygen – has long been known. Its use on an industrial scale is more recent. Methanization produces a biogas that may be recovered for electrical energy and a residue that after composting may be recovered for use as an organic soil conditioner.

Another method used for recovering energy is the production of refuse-derived fuel (RDF) derived from non-hazardous industrial waste and, to a lesser extent, household waste. Mainly used by cement manufacturers, this sector presents a real opportunity for developing complementary solutions to the recycling and disposal sectors. Not highly recyclable, the waste that makes up these RDFs can be used as excellent alternative fuel in cement and lime kilns, as well as in the heat and steam generating-units in industries that consume high levels of energy (chemistry, paper mills, etc.).

ELIMINATION OF WASTE AND LANDFILLING

Landfilling remains the predominant treatment method in many countries. Upstream, the search for a site must conform to legally mandated specifications and conditions specifically concerning soil quality, the protection of water tables and distance from housing. During the operating stage, discharges must be controlled, effluents (biogas and leachates) captured, recovered or treated and environmental parameters measured regularly. Once closed, sites remain subject to monitoring for 30 years.

The Group operates 138 landfills around the world, particularly in Europe. In the course of these activities, the Group develops and operates innovative industrial solutions for recovery in the form of renewable biogas energy from landfills.

(ii) Hazardous waste

Waste representing a danger to humans or the environment requires special precautions when being treated. Once collected, it is analyzed, sorted by type, and then gathered. It is then sent to the most appropriate site.

There are several treatment possibilities for this waste, which include:

- recovery as fuel substitute, notably in clinker kilns, after being subjected to any necessary physical pretreatment;
- incineration at high temperatures with energy recovery (as in the case of halogenated, toxic and reactive wastes);
- treatment using physical and chemical as well as biological methods (as in the case of aqueous waste: acids, bases, chromate baths, etc.);
- treatment, clean-up or solidification before being landfilled at suitable sites. Paint residue, for example, is mixed with reagents to form a concrete that stabilizes pollutants within a mineral matrix before landfilling;
- regeneration for purposes of materials recycling, i.e., purified for reuse (this is the case notably for oils and certain solvents).

SITA France treats hazardous waste in France and elsewhere in Europe.

The Group may thus offer its customers solutions suitable for all types of hazardous waste (except waste potentially contaminated by radionuclides from nuclear sites), such as packaging ranging from 100 grams (in particular special household or laboratory waste) up to hundreds of metric tons. In 2010, 3.3 million tons of hazardous waste were treated by the Group: pretreatment on ad hoc platforms, stabilization and storage at Class I sites, incineration of waste with high chlorine or sulfur content and co-incineration at cement plants.

(iii) Wastewater treatment, maintenance and urban cleaning

The Group provides local authorities, private individuals, and industrial customers with wastewater treatment and industrial cleaning services (particularly during plant shutdowns), collection of hazardous industrial waste, as well as more specific services such as the cleaning of water towers, oil-related work, or control of wastewater treatment networks in nuclear plants.

Urban cleaning is a concern of local authorities and a health requirement. In this regard, the Group notably offers the following services: mechanized and manual street sweeping, maintenance of urban fixtures, sign, graffiti and snow removal, beach cleaning, emptying and maintenance of paper receptacles and public awareness measures. Depending on the country, additional services may be offered, such as the maintenance of public parks and gardens.

(iv) Cleaning up pollution and conversion of polluted industrial sites

Soil pollution may be of two kinds: organic or mineral. There are three types of treatment:

- *in situ* treatment, for subterranean clean-up operations of water tables or soils without excavation;
- on-site treatment, whereby the soil is extracted but treated on site; and
- off-site treatment, when the soil must not only be extracted, but sent to special sites, where it undergoes biological, thermal, or physical and chemical treatment and/or landfill.

Through its specialized subsidiaries, the Group has been developing innovative solutions for 25 years in terms of cleanup and conversion of industrial sites.

To illustrate, after having cleaned up and restored the former Metaleurop Nord foundry site in France, the Group, through SITA Spécialités, is now providing for the clean-up and restoration of "The Avenue" industrial complex in Chesterfield, United Kingdom. This project, carried out in collaboration with Volker Stevin UK and DEME Environmental Contractors (DEC NV), is the largest public project of this type in the United Kingdom and one of the largest sites for the clean-up of derelict industrial land in Europe. All clean-up stages began in September 2009 and will be staggered over 5 years, until final reconversion of the site, which is scheduled for 2014.

(b) Contractual relations with customers in the waste segments

The Group is active for two types of customers:

- local authorities (municipalities or other): contracts entered into with local authorities are generally medium- or long-term (generally with a term of 3 to 7 years for collection and up to 20 or even 30 years for treatment in certain cases), and involve locally regulated activities in which public utilities are major players; and
- industrial customers: contracts with industrial customers are generally short- or medium-term (often one year, renewable, for collection), and involve activities for which industrial customers increasingly outsource to subcontractors all their waste services management.

The Group offers energy produced during waste treatment and materials from this treatment and recycling (secondary raw materials) to both public authorities and industrial customers.

6.5.2 PRESENTATION OF WATER EUROPE ACTIVITIES

Europe is the core of the Group's activity in the water sector. Companies operating in the Group's Water Europe segment contributed €4.2 billion to the 2010 Group's consolidated revenues. In 2010, Lyonnaise des Eaux [(1)] represented 55% of the consolidated revenues generated in Europe, while the surplus was mainly generated by Sociedad General de Aguas de Barcelona (Agbar).

In Europe, the Group supplies about 32 million people with drinking water and provides wastewater services for approximately 26 million people.

6.5.2.1 LYONNAISE DES EAUX

Lyonnaise des Eaux includes the activities of Lyonnaise des Eaux France, the water activities of the Group in Italy and Germany, the activities of Safege and Ondeo Industrial Solutions (OIS).

In 2010, the Lyonnaise des Eaux business unit generated consolidated revenues of €2.3 billion and employed around 13,850 people.

(a) Lyonnaise des Eaux France

(i) Specific characteristics of the water sector in France

The Group estimates amounts billed in France for water and wastewater treatment services by all providers (public and private) at a total of about €12.3 billion; private operators are estimated to represent 40% of this total, while the rest goes to public authorities, water agencies, and the State. The size of the drinking water production and distribution sector is €6.3 billion, and that of wastewater treatment is €6 billion. It is also estimated that private operators represent 71% of drinking water volumes billed and 56% of wastewater treatment services billed in France (*source: 2008 figures from a BIPE/FP2E study, March 2010*).

(1) Including activities in France, Italy, Germany, Safege and OIS

(ii) Description of the activities of Lyonnaise des Eaux France

The Group operates in France with public authorities, primarily through its subsidiary Lyonnaise des Eaux France ("LDEF") and its subsidiaries. Since its creation in 1880, LDEF has been involved in the water-related service sector in France, and today operates throughout the entire water cycle, from drinking water production through wastewater treatment, notably through services in water pumping and treatment, storage and distribution, customer service, wastewater collection and treatment, and sludge treatment.

In 2010, LDEF's contribution to the Group's consolidated revenues was around €2.0 billion (48% for drinking water production and distribution services, 26% for wastewater treatment services, 14% for other services (for example, metering), and 12% for work on distribution facilities and networks). Combined with all its subsidiaries, it employed over 11,500 persons as of December 31, 2010[(1)].

The Group estimates that LDEF supplies approximately 12 million people with drinking water, i.e., approximately 19% of the French population. In 2010, LDEF operated over 700 drinking water production sites and delivered to the network over 1,100 million m3 of drinking water.

The Group estimates that LDEF provides wastewater services to some 17% of the French population connected to a sewage network. In 2010, LDEF operated nearly 1,400 treatment plants, which treated nearly 700 million m3 of wastewater.

LDEF is therefore the second-largest private operator in France.

(iii) Lyonnaise des Eaux France contracts

The LDEF contracts portfolio included around 2,500 contracts as of December 31, 2010.

The term of these contracts for both water production and distribution services and wastewater collection and treatment services is generally between 10 and 20 years.

A significant portion of LDEF's activity is carried out under leasing contracts awarded by delegating public authorities. Under the Sapin law (for a description of this law, see Section 6.7), LDEF is subject to competition for awarding and renewal of these contracts. If a lease or a concession is not renewed, under current regulations, the outgoing assignee receives no compensation. Moreover, upon expiry of the contract, all plant belonging to the delegating authorities must be in good operating condition.

LDEF maintains good relations with its customers, and has a good reputation. Its technical expertise is recognized, and it is able to offer a very wide range of services.

In 2010, LDEF had many commercial successes. Including:

- the public service contract for wastewater treatment in Strasbourg, signed jointly with Degrémont Services, in relation to operating the purification plant at La Wantzenau with a treatment capacity of 1 million Eq/inhab. The Urban Community of Strasbourg was impressed by the technical quality of the offer, supported by the expertise of Degrémont Services in operating sewage sludge driers and the know-how of LDEF in managing public service contracts in relation to operating large wastewater treatment plants;
- the public service contract for water in the city of Saint-Dizier. To meet the elected representatives' expectations in terms of conserving resources, LDEF is committed to reducing by 50% water losses in the network within 4 years. To achieve this undertaking, 180 fixed leak pre-localizers and 20 district meters will be installed on the network;
- the renewal of public service contracts for water and wastewater treatment in the district of Fouesnant, and LDEF is worth mentioning in this context due to its Green Product Line specifically tailored to this coastal resort that has been highly committed to sustainable development for many years. LDEF is committed to installing remote metering, improving network profitability, reducing by 5% individual water requirements by fitting flow limiters, carrying out a carbon assessment and also implementing a winter/summer price system to guarantee fair and appropriate prices;
- the four-year service provision contract with Greater Nancy Urban Community (CUGN), which includes scheduling, installing, replacing and maintaining the CUGN meters. In all, 24,000 meters will be replaced over 4 years;

(1) The increase in the workforce at Lyonnaise des Eaux France between 2009 and 2010 was mainly due to the integration of the former joint ventures with Veolia Eau in France.

Finally, the agreement signed in December 2008 between Veolia Environnement and Lyonnaise des Eaux, aimed at unwinding the entities they jointly owned (known as "sociétés paritaires"), was finalized in March 2010. This has allowed LDEF to fully integrate the following entities: Nancéienne des Eaux (SNE), Société des Eaux du Nord (SEN) and its subsidiaries, Société d'Exploitation du Réseau d'Assainissement de Marseille (SERAM), Société Provençale des Eaux (SPE), Stéphanoise des Eaux (SSE), Société Guyanaise des Eaux (SGDE), Société des Eaux de Versailles et de Saint Cloud (SEVESC) and its subsidiaries, and Société Martiniquaise des Eaux (SME). Veolia has taken control over Société des Eaux de Marseille (SEM), which also covers La Ciotat and Vitrolles and Société des Eaux d'Arles (SEA).

(b) The other activities of Lyonnaise des Eaux

Through the Lyonnaise des Eaux business unit, the Group is also active:

(i) In Italy:

Through its subsidiary Ondeo Italia, based in Milan, the Group holds an interest in five water and wastewater treatment companies in Tuscany (in Arezzo, Florence, Pisa, Sienna, and Montecatini Terme).

As of December 31, 2008, the Group also held 6.52% [(1)] of Acea, a company listed on the Milan stock exchange, which is active in the area of integrated water management, energy generation and distribution, public lighting, and natural gas distribution. Acea, based in Rome, is the main water and wastewater treatment operator in Italy.

(ii) In Germany:

Through its subsidiary Eurawasser, primarily through water and wastewater delegation of public service contracts or interests in public/private corporations, as well as in management and maintenance contracts.

Eurawasser continued its development in western Germany by winning (in 2009) a competitive bid in the town of Bad Breisig (population 13,000). Since January 2010, Eurawasser has been responsible for technical management and water supply, customer management and district planning work. Eurawasser has continued to strengthen its positions in eastern Germany and was awarded two new contracts, namely in Roßwein (population 12,000) in 2009 and the Weiße Elster syndicate (population 18,000) in 2010.

Finally, in accordance with its strategy to develop innovative projects, Eurawasser is currently finalizing a partnership, the purpose of which is to build and operate a unit recovering energy from treated sludge in Austria.

(iii) In Greece:

Through a 5.46% holding in Eyath, a company listed on the Athens stock exchange, which manages the Thessalonica water service.

The Lyonnaise des Eaux business unit also includes the following activities:

(iv) Safege:

Safege, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, specializes in providing engineering services to communities, local authorities, public service agents and private and industrial customers in the areas of its four business lines: water and hydraulic infrastructure, environment and waste, urban and transport infrastructures and energy.

A major operator in the sustainable development activities of towns and urban areas, Safege supports its customers in France and abroad in making town planning decisions and jointly designing the infrastructure at all levels of the project: assistance with project management, general contracting, technical support, training and audits.

Safege employs some 1,200 staff and regularly operates in over 100 countries.

(v) Ondeo Industrial Solutions:

Ondeo Industrial Solutions, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, created in 2002, mainly operates in Europe with industrial customers. It specializes in the optimization and global management of the water cycle in industry: outsourcing and partnerships, design and building of wastewater treatment plant, related equipment and services, mobile treatment plant, turnkey solutions, operations, maintenance and technical assistance, consulting and research in solutions adapted to customer needs.

Ondeo Industrial Solutions employed approximately 650 people as of December 31, 2010, and is active in France, Italy, the United Kingdom, Spain, and Benelux.

(1) At December 31, 2010

Ondeo Industrial Solutions offers solutions tailored to a specific activity sector (notably aviation, automotive, agro-food, chemicals, energy, oil industry, metallurgy, micro-electronics, paper, pharmaceuticals, oil industry, petrochemicals, steel and glass) to meet the specific needs of industrial customers in water resource management, treatment of unpurified water, supply of process water, wastewater purification and sludge and by-product recovery.

Ondeo Industrial Solutions has over 200 operating and service contracts worldwide with industrial customers and to date has constructed over 1,800 process water treatment stations and over 2,000 wastewater treatment stations.

In 2010, Ondeo Industrial Solutions was a successful bidder for several contracts relating to the construction industry, operation or services for the supply and/or maintenance of process water facilities (Total, EDF, BP, etc.) or wastewater facilities (Colgate Palmolive, Lu, Nestlé, etc.).

The economic crisis affecting the industrial customers of Ondeo Industrial Solutions has forced the company to focus on its most important sectors, such as the gas and petrochemicals markets, as well as the energy market, by promoting the most appropriate solutions for improving its customers' economic and environmental performance.

6.5.2.2 Agbar

On June 8, 2010, the Group finalized with Criteria CaixaCorp (Criteria) the takeover of Agbar, which was first announced in October 2009.

Under the terms of the agreement with Criteria, SUEZ ENVIRONNEMENT took control of the Water and Environment activities of Agbar and now holds 75.23% of its capital, which is now fully consolidated in its accounts since June 1, 2010. Criteria remains a strategic partner in Spain and continues to hold 24.10% of Agbar, as well as the insurance and healthcare company, Adeslas.

Agbar's public delisting offer was completed on May 27, 2010 and has allowed SUEZ ENVIRONNEMENT and Criteria to finalize the acquisition by SUEZ ENVIRONNEMENT of the Agbar shares held by Criteria, at a price of €20 per share, for a total amount of €666 million.

The integration of Agbar into SUEZ ENVIRONNEMENT corresponds to a strong industrial rationale and allows the Group to construct its second European water pillar and consolidate its position on attractive markets, in Spain and internationally, through a balanced portfolio of assets.

Agbar's 2010 consolidated revenues were €2.6 billion, with 75% pertaining to services related to water management and 25% to health-related services. In the water sector, Agbar employed approximately 10,550 people worldwide and earned 67% of its revenues in Spain, and 33% in the rest of the world.

In 2010, Agbar's contribution to the Group's consolidated revenues was €1.9 billion. The company operates over 250 drinking water plants and over 500 wastewater treatment facilities in Spain and abroad.

(a) The activities of Agbar in Spain

(i) Specific aspects of the water sector in Spain

The Group estimates that the water sector in Spain represents some €7.5 billion. The Group estimates that private operators represent approximately 50% of the drinking water production and distribution sector and two-thirds of the wastewater treatment sector (*source*: *Group estimates*).

(ii) Description of the activities of Agbar

Agbar operates throughout the entire water cycle: drinking water capture, transmission, treatment and distribution; collection, treatment and re-use of wastewater; recovery of treatment sludge; services to customers. The company's customers primarily consist of local public authorities.

The Group estimates that Agbar is the leading private player in the water sector in Spain.

In Spain, Agbar supplies drinking water to around 13 million people. The largest desalination plant in Europe (with capacity of 200,000 m^3/day), which Agbar will operate for two years, was inaugurated in Barcelona in 2009. The DBO (Design, Build, Operate) contract was awarded in 2006 to a joint venture consisting of Agbar, Degrémont, Dragados and Drace.

Agbar also provides wastewater treatment services to over 8 million people.

In 2010, Agbar achieved many commercial successes in Spain, in particular a 50-year contract to supply drinking water to the municipality of Calvia (Majorca). A 25-year contract to supply drinking water and wastewater treatment services to the municipality of Huelva (population 150,000) was also awarded to a public/private company in which Agbar holds an interest.

(b) Development of Agbar outside Spain

Outside Spain, Agbar provides drinking water services to over 12 million people and wastewater services to over 10 million people.

Outside Spain, Agbar is also present:

(i) In South America:

In particular in Chile, through its subsidiary Aguas Andinas (production and distribution of drinking water to nearly 7 million inhabitants, as well as the treatment of wastewater for approximately 6 million inhabitants), via Essal (the fourth water distribution company in Chile) in which Agbar acquired a 53.5% interest in 2008, and through a contract to build the third largest purification plant in Santiago, Chile, with a capacity of 2.2 m^3/s, which was awarded to Agbar and Degrémont;

Agbar is also established in Mexico, Colombia, Cuba and Peru (contract awarded to Aquagest Solutions covering the area south of Lima).

(ii) In the United Kingdom:

Through the company Bristol Water, acquired in 2006, and serving approximately 1 million people. In 2010, Agbar also took over Marral, a company supplying water services to industrial customers, within the scope of its diversification strategy towards the unregulated market.

(iii) In China:

In November 2007, Agbar created a joint venture in China with Golden State Water Group Corporation – a Chinese player in the engineering, building, and supply of environmental services – which provides services to approximately 1.5 million people in Jiangsu Province.

(iv) In Algeria:

Through a contract with Seor (*Société de l'Eau et de l'Assainissement d'Oran*, or Oran Water and Wastewater Treatment Company), which began in April 2008, and through which the company provides drinking water to some 1.5 million people.

(c) The other activities of the Group in Spain

Since the end of October 2007, the Group has also been active in Spain through a 33% holding in Aguas de Valencia.

6.5.3 PRESENTATION OF WASTE EUROPE ACTIVITIES

Europe is the heart of the Group's activity in the waste sector. Companies operating in the Waste Europe segment contributed €5.9 billion to the Group's consolidated revenues in 2010. The Waste Europe segment mainly operates through SITA France and its specialized subsidiaries, SITA Belgium, SITA Deutschland, SITA Nederland, SITA UK, SITA Finland and SITA Sverige in Scandinavia. In 2006, SUEZ ENVIRONNEMENT created Terralys, a joint subsidiary of SITA France and LDEF specializing in the composting and treatment of sludge in France.

Companies in the Waste Europe segment generated 56% of their revenues in France, 19% in the United Kingdom and the Scandinavian countries and 25% in Germany and Benelux.

In Europe, in 2010, the Group's collection activities served over 40 million people and over 350,000 industrial and commercial customers. The Group collected around 20 million tons and processed around 34 million tons of household, industrial, and medical waste.

6.5.3.1 SITA FRANCE

The Group is active in France in the waste sector through SITA France and its subsidiaries.

(a) Specific characteristics of the waste sector in France

The French waste sector represents €11.1 billion *(source: IFEN, 2010* [1]*)*. Of a total of over 340 million tons of waste, 73% are from building and demolition activities, 15% from commercial and industrial activities, 9% are generated by municipalities and households, and 3% are hazardous waste. Regarding municipal solid waste, 35% are landfilled, 32% are subject to thermal treatment, and 33% are recovered or subject to biological treatment *(source: Eurostat, 2008 data)*; the Group believes the recycling portion will grow in the future.

(b) Description of the activities of SITA France

SITA France is active throughout the entire waste cycle: collection, sorting, recovery and removal (material recovery, biological recovery, energy recovery and landfill), management of hazardous waste, soil remediation, industrial cleaning and maintenance.

(1) Estimate of total national expenditure for the management of waste, excluding street cleaning.

SITA France has been active in France in the waste sector since it was incorporated in 1919. The Group has significant landfill capacity, a diversified portfolio of contracts, special expertise in treatment (landfill, incineration, methanization), advantage of the geographical coverage of its network and ability to innovate by offering new treatment and recovery solutions. SITA France is currently active in the recovery of cardboard, metals, wood, plastic, and technical rubber. SITA Spécialités, through the intermediary of its subsidiary SCORI, has 30 years' experience in preparing fuel for cement kilns from hazardous waste (solid and liquid).

In 2010, SITA France's contribution to the Group's consolidated revenues totaled €3.3 billion. As at December 31, SITA France employed around 19,800 people.

In 2010, SITA France provided waste collection services to over 15 million inhabitants and around 51,000 commercial and industrial customers. The company treated over 18 million metric tons of waste (including the activities of Teris and Boone Comenor abroad, for approximately 800,000 metric tons). As of December 31, 2010, SITA France operated 82 composting platforms, 38 incineration sites (36 of which have energy recovery ability), and 299 sorting and transfer stations.

The Group now has a total capacity for ferrous metal recovery of 2.2 million tons and has expanded its offering to industrial customers both in France and abroad.

The Group has become more visible particularly in the plastics recycling segment through the inauguration in June 2009 of the first PET bottle recycling unit, France Plastiques Recyclage (FPR) – a subsidiary created in 2008 and held jointly by SITA France and the PAPREC Group. This plant will handle recycling of 40,000 metric tons of bottles per year, directly usable in the form of granules, for the manufacture of new bottles or food packaging.

SITA France has also strengthened its presence in the waste treatment sector of electrical and electronic equipment (WEEE) through the launch in September 2010 in Feyzin – near Lyons – of a new plant to treat WEEEs, which is capable of recycling 25,000 metric tons of waste each year. This is the first plant able to treat all kinds of WEEE and the "Chemistry and Environment" Pôle de Compétitivité AXELERA (Center of Excellence) gave its seal of approval to the unit, as it employs an innovative process to extract and separate the plastic materials integrated into the waste.

Finally, it should be noted that the main commercial successes of SITA France include:

- the awarding in July 2010 of a contract to operate the Ivry household waste incineration plant. The unit, one of the biggest in Europe, handles the household waste of 15 towns in the Paris region plus 12 Parisian districts, representing more than 1.2 million people.
- the awarding of a delegated contract to measure the waste at seven Renault sites. This global offer mobilizes a number of skills at SITA France, including the collection and treatment of industrial and hazardous waste.

The Group believes that SITA France is the 2nd-largest private operator in France.

6.5.3.2 SITA UK & SCANDINAVIA

The Group operates in the United Kingdom primarily through its subsidiary SITA UK. The Group is also active in waste collection and treatment activities in Sweden and Finland through its SITA Sverige and SITA Finland subsidiaries.

In 2010, the contribution of SITA UK & Scandinavia to the Group's consolidated revenues was €1.1 billion; the business unit employed over 7,580 people as of December 31, 2010.

(a) Specific features of the waste sector in the United Kingdom and Scandinavia

(i) United Kingdom

Of a total of around 250 million metric tons of waste, 40% are from building and demolition activities, 44% from commercial and industrial activities, 13% are generated by municipalities and households and 3% are hazardous waste, 55% of municipal solid waste is landfilled, 35% is recycled or recovered, and 10% is incinerated (source: *Eurostat - 2008 data).* Given the rapid changes in recent years, the Group believes the proportion of waste landfilled should currently be less significant, particularly under the effect of measures such as taxes on volumes landfilled and penalties for exceeding authorized quotas.

Confirmation by the government, in its 2009 annual budget, that the landfill tax will increase by £8 per year until 2013, further increases the viability of alternative options for waste treatment, such as recycling and energy recovery technologies.

(ii) Sweden and Finland

The waste sector in Sweden represents approximately 50 million metric tons of waste, including 16% from building and demolition activities, 71% from commercial and industrial activities, 8% generated by municipalities and households, and 5% consisting of hazardous waste (source: *Eurostat – 2006 data)*. 3% of household waste is landfilled, 48% is recycled, and 49% is incinerated (source: *Eurostat -2008 data).*

The waste sector in Finland represents approximately 50 million metric tons of waste, including 51% from building and demolition activities, 42% from commercial and industrial activities, 3% generated by municipalities and households, and 4% consisting of hazardous waste. As for household waste, 32% is recycled or recovered, 17% is incinerated, and 51% is landfilled (source: Eurostat – 2008 data).

(b) Description of the activities of SITA UK & Scandinavia

(i) SITA UK

SITA UK is active throughout the entire waste cycle, except for waste likely to be contaminated by radionuclides resulting from nuclear activity. The Group relies on its size, which allows it to participate in all calls for tenders in this sector, particularly since it has significant expertise in integrated waste services management through Private Finance Initiative (PFI) contracts.

It has also demonstrated its ability to obtain renewals of its contracts, and to pursue development through complementary activities:

- SITA UK finalized in 2010 a partnership with Cyclamax, a specialist in energy recovery, specifically in order to develop six gasification plants that will treat over 600,000 metric tons of commercial and industrial waste.

- SITA UK signed an exclusive contract in November 2010 with Cynar Plc, a company that focuses on new conversion technologies, to build the first operational plant in the United Kingdom to convert end-of-life plastic into diesel fuel. The long-term objective is to build 10 plants capable of processing 60,000 metric tons of mixed plastic waste each year.

In 2010, SITA UK served nearly 6 million people and nearly 41,000 commercial and industrial customers through its collection activities; SITA UK treated 8.6 million metric tons of waste.

The Group believes SITA UK is the third-largest private player in the United Kingdom in terms of revenues.

(ii) SITA Sverige and SITA Finland

SITA Sverige, a wholly-owned subsidiary of the Group, is active throughout the waste cycle (excluding waste that may be contamined by radioactive nucleides from nuclear activities), except for incineration and treatment of electronic and electrical waste. SITA Finland, a wholly-owned subsidiary of SITA Sverige, is active in the waste collection, sorting and recycling segments.

In 2010, through their collection activities, SITA Sverige and SITA Finland served over 2.5 million people and 63,000 commercial and industrial customers; they treated over 990,000 metric tons of waste.

In April 2009, SITA Sverige successfully took over one of its Swedish competitors, Allren AB, allowing it to strengthen its presence in the south of the country and in the recycling and hazardous waste segments. In 2010, SITA Sverige started collecting household waste from one of the largest areas in Sweden, Malmö. This is a seven-year contract.

SITA Finland continued to strengthen its position in the recycling segment, through the creation of two recycling sites at Turku and Helsinki.

6.5.3.3 SITA DEUTSCHLAND & BENELUX

The Group operates in Germany, Belgium and the Netherlands through its subsidiaries SITA Deutschland, SITA Belgium and SITA Nederland.

In 2010, the contribution of SITA Deutschland & Benelux to the Group's consolidated revenues was €1.5 billion. SITA Deutschland, SITA Belgium and SITA Nederland employed about 7,700 people as of December 31, 2010.

(a) Specific features of the waste sector in Germany and the Benelux

(i) Germany

Of a total of 340 million metric tons of waste, 55% are from building and demolition activities, 28% from commercial and industrial activities, 10% are generated by municipalities and households, and 7% are hazardous waste. Less than 1% of household waste was landfilled in 2008(1), with 33% incinerated and 66% recovered or converted (Eurostat, 2008 data).

(ii) Benelux

Of a total of 95 million metric tons of waste generated in the Netherlands, 59% are from building and demolition activities, 26% from commercial and industrial activities, 10% are generated by municipalities and households, and 5% are hazardous waste. 1% of the municipal solid waste is landfilled, 33% is incinerated, and 66% is recycled (*source*: Eurostat -2008 data). The Group estimates this sector to be among the most advanced in terms of environmental regulations.

Of a total of 50 million metric tons of waste generated in Belgium, 47% are from building and demolition activities, 33% from commercial and industrial activities, 9% are generated by municipalities and households, and 11% are hazardous waste. The Group estimates that 5% of household waste is landfilled, 33% is incinerated and 62% is recycled or recovered (*source*: *Eurostat – 2008 data).*

(b) Description of the activities of SITA Deutschland & Benelux

(i) SITA Deutschland

SITA Deutschland provided waste collection services to about 10 million people and more than 55,000 commercial and industrial customers in 2010; SITA Deutschland treated about 1.4 million metric tons of waste.

The Group estimates SITA Deutschland to be the 4th-largest private operator in Germany.

The Group's presence is concentrated in western Germany, particularly in municipal collection and selective collection. It also has a strong position in the incineration segment through its Zorbau site in the area of Leipzig. Its cooperative arrangement with SITA Nederland is also an advantage, providing the benefits of staff exchanges, an international network, and shared services.

In October 2010, SITA Deutschland became the sole shareholder of BellandVision GmbH, a German company, which is active in the area of services and royalties relating to the recycling of industrial and large-scale distribution packaging, by acquiring 31.6% of the outstanding capital.

(ii) SITA Nederland and SITA Belgium

SITA Nederland is active throughout the entire waste cycle: in 2010, SITA Nederland provided waste collection services to about 1.6 million people and more than 82,000 commercial and industrial customers. SITA Nederland treated around 1.5 million metric tons of waste. The Group believes that SITA Nederland is the third-largest private operator in the Netherlands.

Last year, the Group consolidated its positions in energy recovery, through the commissioning of the EVI incinerator located on the border between the Netherlands and Germany. SITA Nederland also worked on making its interface with customers easier, and in 2010 set up a portal for its customers. The company is getting ready to implement an electronic billing system.

The Group estimates that SITA Belgium is one of the main operators in the Belgian waste sector due to its very strong position in collection activities, mainly from industrial and commercial waste activities. In 2010, the Group provided collection services in Belgium to 5 million people and over 51,000 commercial and industrial customers.

(1) The share of household waste landfilled in Germany is probably "undervalued," because the treatment, which consists of storing waste in salt mines, may be classified by the German authorities as recovery (the volumes stored in these salt mines are therefore probably included in the 66% recovered or converted).

6.5.4 PRESENTATION OF THE GROUP'S INTERNATIONAL ACTIVITIES

In addition to Europe, the Group is an operator in the water and waste sectors in more than 15 countries. As a result of selective growth abroad, this position is based primarily upon a strong presence in four regions:

- North America;
- Asia-Pacific;
- Central Europe; and
- The Mediterranean Basin and the Middle East.

A joint organizational structure in water and waste activities has generated synergies in operating expenses, and combined product offers. In addition, depending on the country, the Group has been able to rely on its commercial growth already achieved by each of the activities as a basis for further development, as in Central Europe, China and Australia, for example.

6.5.4.1 DEGRÉMONT

Degrémont is at the core of the Group's international growth strategy due to its presence on the 5 continents.

For over 65 years, Degrémont, a wholly owned subsidiary of SUEZ ENVIRONNEMENT, has designed, built, equipped and operated drinking water plants and industrial process water plants, desalination plants for sea and brackish waters, urban and industrial wastewater treatment, recycling and sludge treatment plants. Degrémont is present in over 70 countries and employed over 4,500 employees (35% of whom were in France) as of December 31, 2010.

Degrémont contributed €1.5 billion to the Group's consolidated revenues in 2010. Design-Build activities represented 72%, managing BOT contracts and services, 16%, and the equipment business, 12% of Degrémont's total revenues. Approximately 1 billion people have been served by nearly 10,000 facilities designed, built or equipped by Degrémont throughout the world, since the company was created.

(a) Degrémont's activities

To respond to the needs of its customers (primarily local authorities and other public authorities) in water treatment, Degrémont provides a complete package based on plant designed for the:

- production of drinking water (over 3,000 sites designed, built or equipped throughout the world);
- desalination of sea water or brackish water by reverse osmosis (at least 250 sites designed, built or equipped throughout the world);
- purification and recycling of urban or industrial wastewater (more than 2,500 wastewater treatment centers built throughout the world);
- treatment and recovery of treated sewage sludge (30 INNODRY 2E™ drying units, 38 Thermylis™ oxidation systems and 45 Heliantis™ drying units throughout the world).

In the industrial sector, in addition to wastewater purification, Degrémont has the capacity to produce industrial processing water that meets the needs of the most sensitive industries (oil refining, steel, thermal plant or paper and agri-food industries).

To adapt to the operating methods and specific needs of its customers, Degrémont also provides a varied package that includes Design-Build, operating and related services, and high value-added equipment. Degrémont also has related expertise in developing and managing BOT contracts with project financing.

Degrémont serves its customers under four types of contract:

- "DB" contracts – "Design Build," under the terms of which Degrémont is generally responsible for the design and building of a project, as a result of a public tender process;
- "DBO" contracts – "Design, Build and Operate", under the terms of which Degrémont is responsible for the design, building and operation of a site;
- "BOT" contracts – "Build, Operate and Transfer", under the terms of which Degrémont is responsible for financing the project, designing and building the site and transferring it to the owner at the end of an operating period. In this type of project, Degrémont is usually not the sole investor;
- equipment contracts, under which Degrémont is responsible for providing sites operated by its clients with the necessary equipment, and related services.

Degrémont offers all the following services:

(i) Design and Build

This is the traditional activity of Degrémont. It is conducted under turnkey contracts that state that Degrémont guarantees its customers the completion and satisfactory performance of their plant within a predetermined period. This service includes engineering, provision of plans, purchase of equipment, building site supervision, installation of equipment and the preliminary operation of the facility.

(ii) Operation and Services

Degrémont's Operation and Services activities are based on its exceptional know-how, in offering the Group's customers expertise as builder-operator that distinguishes itself in its market.

Degrémont's product offer in Operation and Services is adapted to customer needs, from the operation and overall maintenance of a site to the supply of replacement parts, after-sale services, renovation of plant, and employee training.

Plants built and operated by the Group benefit from the dual expertise of a builder-operator (ergonomics are incorporated in the design stage and their startup is secured). The plants also gain from the innovations and know-how developed by the entire Group. Teams supervise the preservation of the resources entrusted to them, ensure continuity of the public service while controlling operating costs through predefined, transparent investment policies.

(iii) Equipment

Degrémont's technology division – Degrémont Technologies – supplements its package by providing compact equipment or units such as: membrane ultrafiltration by Aquasource, sludge drying at Innoplana, UV or ozone disinfection by Ozonia, thermal oxidation by Infilco Degrémont, and "pure" water production technologies for industrial or medical activity by Anderson and Water & Power Technologies (WPT).

Degrémont also offers its customers high value-added, patented technologies, which are standardized and "packaged" to equip municipal, industrial and recreational water treatment plant. A full range of after-sale services is offered in addition to the provision of equipment.

(iv) BOT contracts

Under the terms of a BOT contract, Degrémont is responsible for the design, construction and operation of the site. It is also responsible for financing the project although it is not generally the sole investor. At the end of the operating period, the infrastructure is transferred to its owner, which then takes over the operation.

(b) Research and development

Degrémont is known for the quality of its technological innovation and for its contribution to innovation in water treatment processes. In 2010, the company invested around €14 million in research and innovation, involving around 100 people. It held a portfolio of 145 patents as of December 31, 2010.

(c) Degrémont's international presence

In 2010, 80% of Degrémont's revenues were generated outside France. Degrémont carries out its international activities through numerous subsidiaries:

- in Europe (Switzerland, Belgium, Spain, Italy, Portugal, Hungary and Norway); and in Russia
- in Latin America (Mexico, Chile, Argentina, Brazil, Peru, and Colombia); for example, in Mexico, Degrémont has built and financed water treatment plant, which it now operates, in Culiacan, Ciudad Juarez, San Luis Potosi, Mapocho, Pemex and Puebla;
- in the Middle East (Lebanon, Jordan, United Arab Emirates, Oman and Bahrain);
- in Africa (Egypt, Algeria, Morocco, South Africa, Nigeria, Senegal and Burkina Faso);
- in Asia (India, China, Malaysia, Indonesia, Japan, and South Korea); for example, Degrémont has been active in China for 30 years, and has built over 200 facilities with industrial customers and local public authorities;
- in Australia and New Zealand;
- in North America (United States and Canada).

In the rest of the world, Degrémont has the ability to deploy its sales, building and operating teams to pilot major projects.

6.5.4.2 THE GROUP'S OTHER INTERNATIONAL ACTIVITIES

Other activities by the Group's International segment generated revenues of €2.2 billion in 2010.

(a) North America

(i) United States (Water)

The Group operates in the management of water and wastewater services in the United States through SUEZ ENVIRONNEMENT North America (SENA) and its wholly-owned subsidiaries, United Water (UW) and Utility Service Group (USG).

United Water has facilities in 26 states, especially in the Midwest and Northeast of the country, and is active in two types of businesses:

- "regulated activities" (primarily in the field of drinking water services): operators own their water production/treatment assets. This sector is characterized by its high capital intensity and a lower financial risk, since rates are fixed by the regulators (Public Utility Commissions) of the 50 states, based on required investments, among other considerations;
- service contracts (primarily in the field of wastewater services): operators enter into operating and maintenance contracts with municipalities covering sites or assets, which the municipalities own and ownership of which they retain. This sector is characterized by a lower capital intensity and lower margins. The usual term of these contracts varies from 3 to 10 years.

The acquisition in 2008 of Utility Service Group (USG) enabled the Group to considerably increase its coverage in the United States. This company manages and maintains over 4,000 water storage tanks on behalf of 2,000 municipalities in 41 states. It also provides other asset management services, such as the sale or leasing of new tanks or the management of communication antennae installed on the tanks. As USG's facilities and activities complement those of United Water, this operation opens the way to growth opportunities in all activities.

In 2010, these different activities contributed €604 million to the Group's consolidated revenues, 59% of which came from "regulated" activities and 41% from service contracts. These activities employed over 2,600 people as of December 31, 2010 (USG included). SUEZ ENVIRONNEMENT has thus developed a balanced portfolio between these two primary areas of activity, which the Group sees as complementary, while the service contracts segment has been strengthened by the acquisition of USG and of the operating contracts previously held by Earth Tech.

United Water holds an 8% market share of the private sector involved in producing and distributing drinking water and providing wastewater treatment services in the United States (in terms of revenues). Its drinking water and wastewater treatment activities serve 2.1 million people in the "regulated" business sector and 5.2 million through service contracts (excluding USG). In 2010, United Water had 20 operations in 8 states in the "regulated" sector and 184 services contracts in 26 states, excluding the USG water tank maintenance contracts.

The Group estimates that it is the largest private operator [(1)] in the water sector in the United States in terms of total revenues in the two above-mentioned primary fields of activity ("regulated activities" and service contracts).

The American market represents approximately US$88 billion (including US$63 billion for operating activities and US$25 billion for engineering, building and equipment activities) (*source: GWI Study, 2010*) and the Group believes that private operators represent about 8% of the operating activities sector. This sector is characterized by long-term stability and increasingly high expectations for quality and service. It is a very fragmented market (with almost 52,000 water supply systems and approximately 16,000 wastewater treatment systems) and offers major opportunities for consolidation.

In 2010, United Water enjoyed a number of commercial successes. In addition to several contracts being awarded in New Jersey, in March 2010, United Water was awarded a 10-year DBO contract (Design, Build, Operate) covering the collection and wastewater treatment facilities for the town of East Providence, in Rhode Island. These facilities cover the needs of approximately two-thirds of the town's 50,000 inhabitants.

The treatment plant will benefit from major improvements such as odor-control systems and a process to eliminate nutrients by biological means, which will help reduce the levels of nitrogen in the treated water, and improve water quality in the Pawtucket River and Narragansett Bay.

(1) Estimate based on the information available when drafting this document.

(ii) Mexico (Water)

Present in this field since the mid-1960s through Degrémont (see Section 6.5.4.1(c)), the Group first entered into a service contract for Mexico City in 1993.

Since that date, the Group's activities in public service contracts have been provided by a local company, Bal-Ondeo, jointly owned by the Group and the Mexican company, Peñoles, a subsidiary of the BAL Group, which specializes in mining and refining non-ferrous metals.

Bal-Ondeo's activities are primarily expanding:

- in Cancun, by delegation of a public service contract to supply and distribute drinking water, and collect and treat wastewater;
- in Mexico City, where the Group has entered into two service contracts with the city to cover the management of customer accounts and provide maintenance for the secondary distribution network for drinking water and water meters.

The Group is also active in Mexico through activities conducted by Agbar (see Section 6.5.2.2).

The Group estimates that it is the largest private operator in water-related services in Mexico.

(b) Asia-Pacific

In 2010, the contribution of the Asia-Pacific business unit to the Group's consolidated revenues totaled €781 million. In this area the Group employed some 3,650 people as of December 31, 2010.

(i) China

WATER SERVICES

The Group has a presence in China through its water and electricity management concessions in Macao and its 25 subsidiaries established through partnerships with local public entities for the production and distribution of drinking water and wastewater treatment services. It operates under several types of contracts, such as BOT contracts for building and renovating water treatment plants and delegation of public service agreements.

The Group has two delegations of public service contracts with the city of Macao. The first, a public service contract for the provision of water services, started in 1985 (for a period of 25 years) and was renewed in November 2009 for a further 20 years. The second contract – through CEM (Companhia de Electricidade de Macau) – is a public service contract for the production and distribution of electricity. It was extended for 15 years on December 1, 2010.

The Group is active in the Chinese water sector primarily through the jointly owned company Sino-French Holdings, incorporated in 1985, which has been owned since 1998 by SUEZ ENVIRONNEMENT and Lyonnaise Asia Water Limited on the one hand, and by Beauty Ocean Limited, whose obligations are guaranteed by New World Infrastructure Limited, on the other hand. Relations between the parties are governed by a shareholders' agreement that provides for equal representation on the company's Board of Directors. This agreement also sets forth a right of first refusal benefiting the other shareholders in the event that one of the parties sells all or part of its holding.

The Group is continuing to strengthen its presence in China thanks to a policy of entering into partnerships and through the awarding of major contracts from municipal and industrial customers:

- The Group has launched an industrial water production plant, a wastewater treatment plant and an incinerator for hazardous waste in the Shanghai Chemical Industry Park (SCIP), the largest petrochemical industrial site in Asia. In 2006, it also witnessed the inauguration of the first Research and Development Centre dedicated to industrial wastewater and hazardous waste by the Shanghai city authorities. These events demonstrate the determination to explore new paths for industrial cooperation and improved quality of service.
- In 2008, the Group and its partner (New World) strengthened their relations with their local partner in Chongqing, through the acquisition of a 15% interest in Chongqing Water Group. This holding decreased to 13.4% after Chongqing Water Group was listed on the Shanghai Stock Exchange in 2010.
- In 2009 the Group – through its subsidiary Sino French Water Development – and Chongqing Water Group, continued to strengthen their cooperation with the city of Chongqing, by winning a new 40-year drinking water distribution concession contract for the Yuelai region.
- In September 2009, the China-Singapore Suzhou Industrial Park awarded the Group the design, construction and operation of the first sludge treatment plant in Jiangsu province, through a 30-year contract.
- In April 2010, the Group signed – through its subsidiary, Sino French Water Development Group – a contract with the authorities of Changxing Island, in the municipality of Dalian (Liaoning Province). This five-year contract covers the operation and maintenance of the island's wastewater treatment stations.

- Finally, in May 2010, the Group continued to strengthen its position in the industrial estates segment – through its subsidiary Sino French Water Development and in partnership with Chongqing Water Group – a new 30-year concession agreement to treat industrial water at the Chongqing Changshou Chemical Industrial Park (CCIP).

The Group is also present in China through the Agbar (see Section 6.5.2.2) and Degrémont activities, especially in the industrial sector (see Section 6.5.4.1(c)).

- Therefore, in December 2009 Degrémont, in association with Ondeo Industrial Solutions, signed a contract to build an industrial wastewater treatment plant at the Petrochina site in Chengdu. The operating processes will also handle recycling of one third of the wastewater, which will be reused in the refining process, thereby saving water resources in the region.

The Group estimates that the water sector in China will gradually open up to private operators due to the difficulties in supplying water, which affect almost 60% of Chinese cities and due to strict regulation of these activities (despite varying interpretations of the regulations depending on the Chinese region). The Group estimates that China is among the most dynamic markets in the world in these sectors in terms of volume growth and development of urbanization.

Overall, the Group provided drinking water services to over 13 million inhabitants in China. It estimates that it is one of the three largest private operators in the Chinese market for drinking water and wastewater treatment services.

Finally, in September 2009, the Group, in collaboration with Tsinghua University, inaugurated a laboratory for scientific research and environmental engineering experimentation (water, wastewater treatment, waste and air pollution), thus rounding off its plan for the transfer of its knowledge and expertise to China.

WASTE

The Group has been active in the Hong Kong waste sector since 1998 through the company SITA Waste Services. Swire-SITA Waste Services – historically one of the major players in waste treatment in Hong Kong – was a joint company controlled in equal parts by SUEZ ENVIRONNEMENT and Swire Pacific. The Group took full control of Swire-SITA following an operation that was announced in 2008, and approved by the Hong Kong government in late December 2009. The company is currently called SITA Waste Services. SITA Waste Services operates 12 municipal waste transfer stations and 2 landfills (over 3 million metric tons of waste landfilled in 2010). In 2010, the Group collected 370,000 metric tons of household, commercial and industrial, agricultural and medical waste in Hong Kong and Macao.

In addition, the Group provides renovation services to Hong Kong public authorities for closed landfills and it monitors these sites for a thirty-year period.

The Group is also established in continental China through a joint venture with local partners. It designed, participated in the building of, and now operates an incineration plant for hazardous industrial waste with an annual capacity of 60,000 metric tons at the Shanghai Chemical Industry Park (SCIP). This unit is the largest of its kind in China. The Group also has a presence in Macao, where, through a jointly owned company with a local businessman, it provides collection of household, commercial and industrial waste and street cleaning for the municipality.

The waste sector in China is characterized by a gradual opening up to private operators and is experiencing strong growth in volume and urban development. The Group therefore anticipates that the volume of domestic waste will increase substantially. China is a country that generates large amounts of hazardous waste, which is not currently being appropriately treated. All the conditions for growth in this sector now seem to be in place, particularly with the adoption of more rigorous environmental regulations and the establishment of regulatory bodies in 2003. The energy recovery segment receives massive support from the local authorities.

Finally, in Taiwan, the Group operates a waste incineration plant.

(ii) Australia

WATER SERVICES

The Group believes that the Australian water sector is characterized by acute problems related to water resources due to recurrent, long-lasting droughts and by a strong link to problems related to climate warming. This sector offers interesting growth opportunities due to an increased use of desalination and reuse of wastewater after treatment.

Opportunities related to the recovery of water used in the industrial and mining sectors, in particular, should grow in years to come.

The Group is active in the Australian water sector through Degrémont (see Section 6.5.4.1), which started the construction of the desalination plant in Melbourne in 2010. This project, which was awarded in July 2009 – through the AquaSure Consortium – will meet approximately one third of the water needs of the city of Melbourne by the end of 2011.

This contract is the largest Private-Public Partnership project in the world, in the desalination sector. It provides financing, design and construction of a plant with a capacity of 450,000 m3 of drinking water per day and an 85-km water pipeline network and thereafter for 27 years of the plant's operation. The total investment is €2 billion.

WASTE

The Group believes that the waste sector in Australia represents approximately €5 billion *(according to Ibis World Report – October 2010)* and offers significant potential for development. In effect, the country's policy in terms of waste management has continued to evolve, with an increase in the landfill tax in most states to help the government reach its waste reduction targets in terms of the waste sent to landfill sites. Within this context, recourse to alternative solutions for waste treatment (Alternative Waste Technologies), involving sorting, composting and soon methanization, will continue to play an important role. The "National Waste Policy" implemented in 2009, paid particular attention to the Extended Responsibility of the Producer in the segment of electronic and tire waste.

The Group is active in the Australian waste sector through SITA Environmental Solutions ("SITA Australia"). SITA Australia is a company jointly owned by the Group (60%) and SembCorp Industries (40%), a group based in Singapore that is active in engineering, logistics and building.

SITA Australia serves nearly 43,000 commercial and industrial customers and almost 3 million inhabitants through its collection services in the country's main cities. In 2010, SITA Australia strengthened its position in the collection segment, especially by being awarded one of the largest collection contracts in the country, and maintained a steady growth rate in certain regions, especially via organic growth.

SITA Australia also acquired in December 2010 the waste management activities of WSN Environmental Solutions (WSN) from the New South Wales government, for a total of €174 million. This acquisition covers three state-of-the-art storage centers, two material and energy recovery facilities, eight transfer centers and three recycling units, which will allow the Group to strengthen its position in the growing Australian market in terms of municipal, industrial and commercial waste management activities. The operation will be finalized during the first quarter of 2011.

SITA Australia has preserved its place as Australia's leader in the MBT (Mechanical Biological Treatment) market and is believed to be ranked among the top three in waste recycling and treatment. SITA Australia's services include collecting and recycling household, commercial and industrial waste, collecting organic waste and recycling it through composting, medical waste recycling, waste production audits, product destruction, advanced engineering services for waste, and waste transfer.

The Group is the third-largest operator in the waste sector in Australia and the leader in waste sorting and treatment technologies.

(iii) Indonesia (Water)

The Group is active in the Indonesian water sector through its 51%-owned subsidiary, PT PAM Lyonnaise Jaya ("Palyja"). PT Astratel Nusantra (a local partner) currently holds the remaining 49%.

The Group is active in this sector through a 25 year delegation of public services contract (beginning in 1998) for water production and distribution in western Jakarta. The decision by the authorities in Jakarta to delegate the management of water supply services for the city is the result of the need to improve the level of service and address the city's explosive demographic growth.

The Group currently provides water production and distribution services to over 3 million inhabitants.

(c) Central Europe, Mediterranean Basin & Middle East

The contribution of companies in Central and Eastern Europe, the Mediterranean Basin and the Middle East to the Group's consolidated revenues was €823 million in 2010. As at December 31st, 2010, the division employed over 8,600 people.

(i) Central Europe

WATER SERVICES

The Group has been active in the water sector for many years in several new member states of the European Union. The Group provides, alone or through partnerships:

- in the Czech Republic: drinking water and wastewater treatment services in several cities where it has been present since 1993;
- in Hungary: drinking water services in Budapest (in partnership with RWE), and in the Pécs region;
- in Slovakia: drinking water services since 1999 in Trencin;

- in Slovenia: the operation of the purification plant of Maribor that it built.

In addition, the Group is paying close attention to growth opportunities, specifically in Poland, Croatia, Romania and Bulgaria, as well as in Russia and the Ukraine.

The Group estimates that the water sector in Central and Eastern Europe is characterized by lower consumption in certain countries and difficulties in adjusting the rates. However, growth opportunities exist because these countries must comply with European environmental regulations.

WASTE

The Group is active in the waste sector in various Central and Eastern European countries:

- in Poland, through its subsidiary SITA Polska, a key player in the industrial and household waste and urban sanitation sectors;

- in the Czech Republic and Slovakia, through its subsidiaries SITA CZ and SITA SK, which collect and treat municipal and industrial waste. The Group estimates that it is the third-largest private operator in the waste sector.

In these countries, the Group has developed significant expertise in the treatment of hazardous waste.

The waste treatment sector in Central and Eastern Europe is characterized by a significant potential for growth based on improved standards of living and the region's economic development as well as the necessity for these countries to comply with European environmental regulations.

(ii) Mediterranean basin

WATER SERVICES

In Morocco, the Group is active in the water sector through the company Lyonnaise des Eaux de Casablanca (Lydec) in which it has a 51% stake, with the other 49% held by Fipar Holding, and RMA Wataniya, which holds 35%, with the remainder traded on the Casablanca stock market. Lydec is responsible for water distribution, wastewater treatment and electricity distribution to 3 million consumers in Casablanca under a contract entered into in 1997 for a 30-year term. In 2010, Lydec contributed €515 million to the Group's consolidated revenues, generated notably from activities related to electricity (62%), drinking water distribution (18%) and wastewater treatment (5%).

Lydec has been listed on the Casablanca stock exchange since 2005. As of December 31, 2010, it had over 3,300 employees.

In the context of the amendment process of the delegated management agreement entered into between the delegating entity and Lydec, a memorandum of understanding was agreed on March 14, 2008. An amendment to the delegated management agreement was signed in March 2009.

Lydec's main objectives for growth are the safety and quality of the drinking water supply and management of the distribution network, development of wastewater treatment infrastructures (particularly flood prevention) and, as to its electricity activities, the development of infrastructures and improvements in the electricity distribution network.

In Algeria, the Group has been present since 2005, with a management contract to which it contributes its expertise and provides employees to the Société des Eaux et d'Assainissement d'Alger (SEAAL) in order to help improving drinking water distribution and wastewater treatment services for the city of Algiers (SEAAL provides drinking water services to approximately 3 million people). In addition, in November 2007, Agbar was declared the successful bidder for the contract to manage water services for the city of Oran, beginning in January 2008.

WASTE

The Group also conducts waste activities in Morocco through the company SITA El Beida. Since March 2004, SITA El Beida has been operating the delegated waste management of Casablanca city center, pursuant to an agreement entered into for a 10-year term. SITA El Beida is in charge of the city's cleanup program, household waste collection, waste transportation to treatment sites, and a campaign aimed at increasing inhabitants' awareness of the need to protect their environment.

In 2009, SITA El Beida was awarded 2 contracts for the delegated management of waste collection and transfer to landfills, as well as for urban sanitation in the municipalities of Oujda (for 10 years) and El Jadida (for 7 years).

In 2010, the Group was extremely successful in the region and was awarded a contract to collect waste in the Province of Nouaceur (neighborhood around Casablanca).

(iii) Middle East (Water and Waste)

WATER SERVICES

The Group has the advantage of a historic presence in the Middle East, notably through Degrémont. It built the first desalination site using the reverse osmosis technique in Saudi Arabia in 1975, entered into 20 DBO contracts in this country between 1975 and 1986, built the world's largest hybrid desalination site in the United Arab Emirates in 2003 and won the contract for the design, build and operation (DBO) of the largest wastewater purification plant in Qatar, intended for the reuse of treated water, in 2005 and inaugurated the largest purification station in the Middle East with the As Samra plant in Jordan at the end of 2008. Finally, the kingdom of Bahrain awarded the construction in Al Dur of the largest desalination plant using reverse osmosis in the Middle East to Degrémont in 2008.

Moreover, the Group is active through local partnerships:

- in the United Arab Emirates, the Group entered into a strategic partnership agreement with the Al Qudra Group in 2007. This cooperation agreement also gave rise, in 2008, to the establishment of a joint venture – Al Qudra Suez Services (AQSS) – held in equal shares by the two partners, and whose primary mission is to respond to growth opportunities in water and wastewater treatment projects soon to come into the region.

- in Saudi Arabia, the Group and its partner Aqua Power Development signed, on behalf of a joint venture – Jeddah Water Services – created in 2009 and held in equal shares by the two partners, a 7 year-contract for the management of water and wastewater services in the city of Jeddah. This contract is aimed at upgrading and modernizing the city's water and wastewater services. It sets concrete and ambitious objectives in terms of improving the service quality (permanent access to drinking water, reducing deadlines for emergency operations on the drinking water network, and preventing overflows in wastewater collection networks). Jeddah, which has a population of 3.5 million, is facing sustained demographic growth with almost non-existent water resources: recourse to alternative water resources is the only solution to ensure regular and sustainable water supply to the city. 98% of the water consumed in Jeddah comes from seawater desalination plants. Type of production, in a location where water is at a premium, requires the optimization and preservation of water resources and the elimination of any waste. In 2009, Jeddah Water Services was awarded an extension of the Jeddah contract covering wastewater management.

WASTE

Apart from Degrémont, the Group is active in the United Arab Emirates through its subsidiary Trashco, which is positioned primarily in the collection of waste generated by industrial and commercial activities in the Emirates of Dubai, Sharjah and Ajman. In 2008, Trashco acquired a company in Abu Dhabi – Trashco Abu Dhabi – with the aim of managing the collection of industrial and commercial waste in the emirate.

Furthermore, the cooperation between Al Qudra and the Group also extends to the waste sector, and through AQSS, the Group participated in a number of municipal collection and treatment of hazardous waste projects throughout the region. For example, the Group signed a 15-year contract in late 2009, via AQSS, to build and operate a hazardous waste incinerator at Abu Dhabi.

In late 2009, the Group signed an operating agreement for a landfill at Muscat (Oman). This agreement, which has a term of 5 years, will be performed by a joint venture – SITA Al Basheer – created for the purpose, in which the Group holds 60% and the other partners are Omani.

6.6 DEPENDENCE FACTORS

Information concerning these dependence factors appears in Section 4 of this document.

6.7 LEGAL AND REGULATORY FRAMEWORK

The Group's regulatory framework derives from both interdisciplinary regulations, and regulations specifically related to the business lines.

The Group's activities in Europe are governed by European regulations, applicable directly and in a standardized manner to all member states, by European directives that are transposed into domestic law, and, where applicable, by legislative provisions specific to each country.

The Group's activities outside Europe are also subject to both federal and local regulations in the areas of the environment, health, and safety.

A general presentation of the most significant applicable regulations is set out below.

6.7.1 INTERDISCIPLINARY REGULATIONS

6.7.1.1 REGULATIONS ON THE AWARDING OF PUBLIC CONTRACTS

Generally, methods for awarding contracts vary depending on the nature of the public-private partnership (long-term concession of public services, PFI in the United Kingdom, BOT or short-term provision of service) or the method of regulation. A clear definition of the regulatory framework is of the utmost importance for the growth of the Group's activities.

(A) EUROPEAN LAW

In the European Union, contracts signed by the Group with local public authorities are classified as either public work or service contracts, or concession contracts. In contrast to a public contract, the concession is defined as a right to operate a public service, with transfer of a portion of the risks borne by the delegating authority to the delegated agent.

European Directives (2004/17/EC and 2004/18/EC) regulate the terms and conditions for awarding contracts based on competitive bidding: public notice and award procedures. They also set various rules that apply to public works concessions. Only the general principles of the European Treaties currently apply to delegations of public services.

(B) FRENCH REGULATIONS

In France, public services contracts are awarded through two main methods:

- service and building contracts are subject to the French Public Contract Code;
- delegation of public service contracts (DPS) are governed by law No. 93-122 of January 29, 1993 regarding the prevention of corruption and the transparency of economic transactions and public proceedings (so-called "Sapin Law"), which defines the procedures applicable to such awards. These contracts are used particularly in the water sector; local authorities (communes or groupings of communes) have the choice between direct control, the public services market, or delegation. In the case of the DPS, the delegated management contract defines the respective obligations of the delegated agent and the delegating party as well as the pricing policy; no transfer of ownership of existing assets to the delegated agent (who is only the operator) is provided for. The operator is required, under law No. 95-127 of February 8, 1995, pertaining to public contracts and public services, to issue a technical and financial report on an annual basis for the delegating authority.

Alongside these two traditional methods of awarding public contracts, partnership contracts come under a special system. As a result of ordinance no. 2004-559 of June 17, 2004, such contracts have been reformed, with the adoption of law no. 2008-735 of July 28, 2008 and law no. 2009-179 of February 17, 2009 – allowing local authorities, under certain conditions, to entrust a company with an all-encompassing mission of financing, design, construction, maintenance and long-term management of work necessary to the execution of a public service. They are just starting to develop and may play a bigger role in the waste segment and water segment.

(C) SPANISH REGULATIONS

In Spain the awarding of public contracts is governed by law no. 30/2007 of October 30, 2007 relating to Public Sector Contracts and law no. 31/2007 of October 30, 2007 relating to procedures for commitments in the water, transport and postal services sectors, which transpose European Directives 2004/18 and 2004/17.

The Law on Public Sector Contracts (LPSC) governs the more traditional modes of delegated management (concessions, semi-public entities, regulated and collective management) and requires them to comply with the same public information and competition standards as public works, services and supply contracts.

The LPSC introduces a new type of contract: Public-Private Partnership between the public and private sectors. It is intended to meet complex public sector needs, which are not satisfied by traditional contractual agreements, and consists of awarding to a company a global mission for the construction, management, maintenance and renewal as well as requiring it to contribute to financing the project.

(D) UNITED STATES REGULATIONS

In the United States, the federal government plays a role in the water sector, but the individual states retain authority in the areas of resource management, regulation of services and investment planning. There are two broad coexisting contract methods: a regulated method, comparable to the English system, in which the assets belong to the operator, and a non-regulated mode, in which the local authority entrusts the management of its assets to an operator following competitive bidding. In regulated activities, each state has a Public Utility Commission that sets both prices (for water and wastewater treatment services) and the return on shareholders' equity allowed per company operating in the regulated sector. For public-private partnership agreements in the non-regulated sector, the rules for allocation of projects and operating conditions vary for each municipality. As a general rule, operators are selected by calls for tenders.

6.7.1.2 GENERAL ENVIRONMENTAL REGULATIONS

(A) EUROPEAN LAW

Environmental Liability

Directive 2004/35/EC on environmental liability regarding the prevention and compensation of environmental damage (transposed in France as law no. 2008-757 of August 1, 2008) establishes a legal framework for environmental liability founded on the "polluter pays" principle, with a view to preventing and remedying damage to protected species, natural habitats, water resources and the land. Damage may be recognized (by administrative bodies) without any evidenced fault, even if the facility that is the source of the damage is compliant with applicable licenses and authorizations. According to the Environmental Liability Directive, the operator is the first party to incur liability. The text of the law does however impose non-retroactivity, and will therefore only apply to damage for which the generating event occurred after April 30, 2007 (the deadline for transposition by the Member States).

Particular vigilance is now required with regard to areas in which remarkable habitats and environments are protected: the "ecoregions" identified at world level, the "Natura 2000" sites in Europe and – specific to France – sensitive rivers and corridors or reservoirs of biodiversity defined in the "Grenelle" laws.

In terms of criminal liability, the Parliament and Council of the European Union adopted a new directive (2008/99/EC) on the protection of the environment through criminal law which was published in the Official Journal of the European Union (OJEU) on December 6, 2008. Member States must establish penal sanctions that are effective, proportionate and dissuasive for serious violations of the provisions of Community law relating to the protection of the environment. This EU law relates in particular to the release of substances or ionizing radiation into air, soil or water, the treatment and transfer of waste, the destruction or capture of specimens of protected species of wild fauna and flora and the commercialization of substances that will weaken the ozone layer.

The European pollutant release and transfer register

Regulation 166/2006/EC established a European Pollutant Release and Transfer Register (known as the PRTR Register) to monitor the release of pollutants into water, air and soil at EU level (replaces the European Pollutant Emission Register (EPER)). This new register, which is an electronic database accessible to the public since November 9, 2009, is aimed at facilitating access to information concerning the emission of pollutants. The great majority of waste and some wastewater treatment activities are affected by this regulation (although certain thresholds do, however, exist) and, consequently, the operators concerned must provide precise data on their emissions every year (the initial year of reference was 2007).

REACH

The regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH) has been in force since June 1, 2007. In order to offer better protection to human and environmental health against risks that can be caused by chemical substances, it makes industry responsible for evaluating and managing the risks of the said substances and for providing adequate safety information to their users.

REACH involves specific communication throughout the life cycle of substances, so as to guarantee regulatory compliance and to ensure that the planned uses (including at end-of-life) are taken into account. Henceforth, the Group – like all those in the industry – must therefore check with their suppliers that the substances they use in the context of their activities are indeed REACH-compliant.

Since December 1, 2010, companies must also have registered all substances produced above the threshold of 1,000 metric tons per year and per legal entity with the European Chemicals Agency (ECHA), unless the product in question is the subject of an exemption. The Group's activities are affected by this registration obligation in the context of the sale of recycled substances (secondary raw materials) as well as for certain substances produced *in situ*. The number of substances registered is very low, as the majority of recycled substances sold on the market are exempt due to their similarity to existing substances.

The Energy-Climate Package

On December 17, 2008, the European Parliament adopted several proposals aimed at both fighting climate change and guaranteeing the European Union a safer and more sustainable energy supply.

The "Energy-Climate Package," as it is commonly known, brings together:

- a directive which modifies and extends the greenhouse gas emission allowance trading scheme, from which the water and waste sectors continue to be excluded;
- a decision relating to the distribution of effort among the Member States in domains that are not covered by this system – such as transport, construction, or services to the environment;
- a directive intended to promote renewable energies, such as biogas and energy produced from waste biomass or wastewater treatment by-products;
- a directive on the geological storage of CO_2;
- new guidelines concerning state aid for the conservation of the environment published April 1, 2008 aimed at supporting the investment effort necessary to achieve these objectives as set forth in the aforementioned laws.

This initiative is part of the ambitious "climate" action plan, adopted by the European Council in March 2007, whose main recommendation is a European Union commitment to reduce its greenhouse gas emissions by at least 20% between now and 2020, a compulsory objective of 20% of renewable energy in energy consumption within the same timescale, and lastly an increase of 20% in energy effectiveness (program known as "3x20").

(B) FRENCH REGULATIONS

In order to implement the commitments made in 2007 within the context of the Grenelle Environment Forum (Grenelle de l'Environnement), four legislative proposals were adopted in 2009 and 2010:

- Programming Law No. 2009-967, relating to the implementation of the Grenelle Environment Forum, known as the "loi Grenelle 1" (Grenelle Law 1), defines the main orientations: it translates the commitments made at the "Grenelle" into legal terms;
- Law No. 2010-788 for a national environmental commitment, known as the "loi Grenelle 2" (Grenelle Law 2), sets out the conditions for implementing the commitments made in 2007;
- the initial finance law for 2009, No. 2008-1425, details the financing methods for the measures adopted within the context of "Grenelle", as well as the new ecological tax instruments.
- the corrective draft finance law for 2007, No. 2007-1824, takes note of the measures taken by decree prior to the adoption of the "Grenelle Laws," such as the "Bonus/Malus" (bonus/penalty) scheme for vehicles.

The "Grenelle Laws" and the regulatory provisions supplementing them, represent both new obligations and new opportunities for the environmental sector.

Grenelle 2 establishes a massive program for regaining water quality by forcing the various economic players to take responsibility: local authorities must meet sanitation standards, farmers must reduce their use of pesticides, and manufacturers whose activities pollute must fulfill new obligations. The main measures are:

  - new or increased use of renewable energy and/or recycling in water treatment

- limiting losses in water distribution networks
- provisions for rainwater management and rainwater use and taxes on ground rendered impermeable
- allocating new tasks to the public territorial water basin management agencies (Etablissements Publics Territoriaux de Bassin / EPTB) in order to implement water management and development programs (Schémas d'Aménagement et de Gestion des Eaux)
- creating land and water corridors to prevent the loss of biodiversity
- concerted policies to reduce phytosanitary products as part of the Ecophyto 2018 plan

Within the domain of waste management, the main objectives are:

- to reduce the production of waste by 7% per person per year for the next 5 years;
- to reduce the quantity of waste landfilled or incinerated by 15% between now and 2012, notably by raising the general tax on polluting activities (TGAP) on landfilling and the creation of a TGAP on incineration;
- to improve the recycling rates of packaging, household, industrial and commercial, building and public works waste;
- to promote incentivizing measures through the establishment of proportional pricing on waste collection, greater enforcement of Extended Producer Responsibility and the application of tax measures on products that generate high levels of waste;
- finally, to roll out planning measures by strengthening local plans to prevent the production of waste.

(C) CHINESE REGULATIONS

China continues to reinforce its environmental regulations to set higher standards, notably in marine and air pollution, protection of groundwater, species and natural habitats. In particular, it has promulgated a specific law on liability in the event of environmental damage that reverses the burden of proof, and provides for various liability and compensation schemes. This more rigorous approach will eventually have an impact on the costs of managing water and waste but also provides a development opportunity. In its contracts, the Group therefore remains extremely vigilant concerning new developments in Chinese environmental law.

In addition, China recently approved a law to promote the circular economy which, if implemented effectively, may constitute an important lever of development for eco-industries, and specifically the recycling industry in the country. This law should, in effect, result in the preparation of a national development plan for the circular economy aimed at reducing the consumption of natural resources. The measures anticipated by the law specifically include implementation of the principle of producer responsibility in certain sectors, environmental labeling rules, tracking methods and national statistics, environmental criteria in public procurement procedures, tax benefits for certain sectors, as well as the creation of research and development funds.

6.7.2 REGULATION RELATING TO ACTIVITIES

6.7.2.1 WATER SERVICES

(a) European law

Framework for an EU policy in the water sector

Directive 2000/60/EC establishing a framework for the European Union's water sector policy, as revised in 2008, aims at restoring the quality of groundwater and surface water between now and 2015.

In addition to this outcome objective, it sets forth requirements with regard to the methods to be implemented: reducing the release of "priority" substances, which are considered to be most harmful for the environment and to human health, drafting and implementing master plans and action plans, monitoring the results of the actions aimed at restoring the quality of environments and reporting on this to the European Commission.

The directive recommends that water uses and their impacts be analyzed on an economic basis, and provides for increased public participation and consultation. It sets the objective of full recovery of service costs and establishes the polluter-payer principle.

The directive also sets forth a strengthened legal and institutional framework for the water resource management policy, which is very similar to the French system of management through large river basin districts.

Two European Commission progress reports on implementation of the directive, published on March 22, 2007 and April 1, 2009, specify this approach by recommending the drafting, between now and December 2009, of river basin management plans, combined with the setting up of programs of measures, which must become operational between now and 2012 and which will help to achieve the directive's environmental objectives between now and 2015.

The 2000/60/EC directive is separated into two implementation directives (known as daughter directives) which specify the "good condition" to be reached for ground and surface water between now and 2015.

The 2008/105/EC directive, relative to environmental quality standards applicable to surface waters, sets concentration thresholds for 33 chemical substances or groups of chemical substances identified as having priority because of the significant risk they present for the environment and/or for human health via the aquatic environment. Thirteen of these substances have been classified as hazardous; their emissions in surface water are required to cease between now and 2021. The other substances are subject to national reduction objectives to be defined by the Member States. Moreover, the European Commission shall be called upon to vote on a list of 13 additional priority substances in 2011.

The goals of Directive 2006/118/EC on the protection of groundwater against pollution and deterioration are primarily the good chemical status of water and the prevention or limitation of the introduction of pollutants into groundwater. In France, the directive has been transposed within the context of the Law on Water and Aquatic Environments (LEMA No. 2006-1772 of December 30, 2006) and the corresponding regulatory measures amending the environment code.

Directive on drinking water

The 98/83/EC directive on the quality of water intended for human consumption has raised requirements in terms of several parameters (turbidity, chlorites, arsenic, volatile organohalogenates, nickel) and notably concerning lead (25 µg/l end-2003 and 10 µg/l end-2013), which means that eventually no contact will be authorized between drinking water and lead pipes, which is the reason for replacing all existing lead pipes and for the work required in private and public properties to achieve this goal. It also raised requirements regarding public information on the quality of water distributed. After having consulted the stakeholders concerned in 2003 and then again in 2008, the Commission could propose a revision of this directive in 2011 – with a specific view to integrating the recommendations of the World Health Organization on the preventive management of sanitary risks ("Water safety plans").

Directives on wastewater treatment activities

European Directive 91/271/EEC, concerning urban wastewater treatment, introduced several major categories of obligations to:

- efficiently collect and provide for secondary treatment of wastewater in municipalities with over 2,000 inhabitants;
- define "sensitive areas" at a national level, where treatment of nitrogen and/or phosphorus is required;
- require a high degree of reliability of wastewater treatment systems and impose the obligation to monitor these systems; and
- pursue the option of using non-collective wastewater treatment "when the organization of a collection system is not justified, whether because it is not in the best interests of the environment or because the cost would be excessive", provided that the system provides "an identical level of environmental protection."

The European Council's Directive 91/676/EEC, concerning the protection of water from nitrate pollution of agricultural origin, is intended to protect water resources and requires the definition of "vulnerable areas" where codes of good agricultural practices must be established.

The 2006/07/EC directive (transposed into French law in 2008) pertains to surface water that could serve as swimming water. Member States must provide for the supervision and assessment of their swimming water. Information regarding the classification, description of swimming water, and potential water pollution must be easily accessible to the public and provided close to the area concerned.

Both the 2006/44/EC directive on the quality of fish farming water, and the 2006/113/EC directive on the quality required for shellfish farming water apply to water that requires protection or quality improvement to be fit for raising fish and shellfish respectively.

(b) French regulations

In France, a number of laws regulate water pollution, and numerous public authorities are in charge of implementing them. Some discharges and various other activities that show a potential negative impact on the quality of surface water or groundwater are subject to authorization or declaration. Public authorities must therefore be informed of any installation of a pumping system for groundwater that exceeds predetermined volumes and the law forbids, or limits, the release of various substances into water. Violation of these laws is subject to civil and criminal sanctions and the company may itself be held criminally liable.

Law No. 2006-1772 on water and aquatic environments, dated December 30, 2006, is intended to modernize the legal framework for water management and improve water quality in order to achieve the objectives of good ecological and chemical status set forth in the 2000/60/EC directive by 2015. It is also intended to improve public water and wastewater treatment services (access to water and transparency).

The delays observed in the application of the directive on urban wastewater treatment (91/271/EC) have made heavy-handed governmental intervention necessary in the case of late-coming local authorities. A schedule of measures and dedicated financing has been implemented within the context of the "Borloo Plan to standardize the treatment of wastewater from French municipalities" to meet the goal of 100% compliance by all wastewater treatment plants before the end of 2011, as defined in the framework of the "*loi Grenelle 1*".

(c) Spanish regulations

In Spain, private contract law governing water, dating from 1879, was entirely superseded in 1985 by public provisions under which all surface and ground water was considered as belonging to the public domain. The private use of such water requires a concession or administrative license. The Water Law of 1985 transposed all EU requirements contained in the previously adopted European Directives.

The water laws (RDLeg 1/2001, of July 20, 2001) also impose processes for water desalination and re-use, presented as solutions for increasing the availability of water resources. As for water savings, the provisions introduce the general obligation to measure water consumption by using standardized metering systems, or for irrigation purposes to administratively define a usage reference.

To guarantee the good ecological status of water, the operating permits impose strict limits on authorized ecological flows and discharges.

(d) United States regulations

In the United States, the primary federal laws regarding water distribution and wastewater treatment services are the Clean Water Act of 1972, the Safe Drinking Water Act of 1974, and the regulations issued to implement these laws by the Environmental Protection Agency (EPA). Each state has the right to establish higher standards and criteria than those established by the EPA, and several states have done so.

The main regulatory changes of the past few years are as follows:

In the drinking water sector, the EPA adopted regulations relating to the treatment of surface water (Long-Term 1 Enhanced Water Treatment Rule) in 2002, and then in 2006 tightened the regulations relating to disinfection by-products (Stage 2 Disinfectants and Disinfection Byproducts Rule). The Ground Water Rule, which was promulgated in 2006, established multiple constraints designed to avoid the contamination of drinking water by bacteria or viruses.

In the wastewater treatment domain, many facilities are now obliged to implement a tertiary treatment phase of phosphorus removal and elimination of nutrients in order to conserve fragile environments. Under the provisions of the Clean Water Act, the municipalities are further led to invest in the renovation of their wastewater treatment infrastructures as well as in the reduction of flows at source in, order to improve control of diffuse discharges – rainwater and wastewater from sewers, in particular – in the natural environment.

(e) Chinese regulation

China has recently promulgated a law on the prevention and control of water pollution covering both underground and surface waters.

6.7.2.2 WASTE

In many countries, waste treatment sites are subject to laws that require service providers to obtain authorizations from public authorities to operate their sites. Obtaining these authorizations requires that specific studies be presented covering environmental impacts, human health and assessment of the risks pertaining to the facility concerned. Operators of landfills must provide specific financial guarantees (often in the form of bank guarantees) that cover the restoration of the site and monitoring after the closing of the site (for a 30 year period in most countries). Operators must also observe specific standards with respect to discharge and emission arising from processes; incineration plants are usually subject to regulations intended to limit emissions of pollutants. Waste flows are also subject to specific regulations depending on their type.

(a) European law

Waste framework directive

The new Waste Framework Directive (2008/98/EC) was published in the OJEU on November 22, 2008. This directive simplifies existing legislation by repealing the former directive on waste, the directive on hazardous waste and part of the directive on the disposal of used oils. Member States have two years to transpose the directive into national law.

By establishing a new framework for waste management services in Europe, European authorities wish to encourage national waste prevention programs and to promote recycling and recovery.

The new directive thus reinforces the principle of hierarchy in waste treatment methods, encouraging Member States to employ, in order of priority, prevention, reuse, recycling, energy recovery and finally – as a last resort – disposal in a landfill. An analysis based on the "life-cycle" approach will, however, allow certain adjustments to be made within this hierarchy. At the same time, the Member States are required to reach ambitious recycling objectives: 50% of municipal waste and 70% of non-hazardous construction and demolition waste by 2020.

The directive clarifies the definitions of recycling and recovery, and recognizes incineration with energy recovery – if certain efficiency criteria are met – as a recovery operation. Lastly, it introduces two new notions: that of the by-product and that of the "end-of-waste status"; regarding the latter, more precise criteria are currently being defined through the comitology process. This process should also result in the identification of a calculation methodology for waste-recovery goals, which currently does not exist.

Regulations relating to cross-border shipment of waste

The 1013/2006/EC regulation governs cross-border shipments of waste; the objective being to provide management that is ecologically rational. It establishes a preliminary authorization system for the shipment of waste, drawing a clear distinction between waste that is destined for recovery – whose movement is, in principle, unrestricted – and waste destined for definitive disposal (landfill, incineration), for which export is, in principle, prohibited unless there is a specific agreement between Member States. The regulation also introduces the provisions of the Basel Convention on the control of transboundary movements of hazardous waste and their disposal into European legislation.

The regulation provides for more rigorous performance measures. It requires Member States to carry out inspections and spot checks. It also authorizes physical controls of transferred waste, in particular the opening of containers, and requires Member States to notify the European Commission of their domestic legislation covering illegal transfers and corresponding sanctions.

Directive on landfilling of waste

The 1999/31/EC directive on landfilling waste sets the technical and operational requirements applicable to both waste disposal sites and the waste deposited. It aims to prevent or reduce the environmental impact of the landfilling of waste – in particular on surface water, groundwater, soil, air and human health. It defines the various categories of waste (municipal, hazardous, non-hazardous, and inert) and distinguishes between three types of facilities: landfills for hazardous waste (known as "Class I" in France), landfills for non-hazardous waste (known as "Class II" in France) and landfills for inert waste (known as "Class III" in France).

The objective it sets out is for Member States to reduce the quantity of landfilled biodegradable waste: in 2009, the quantity of biodegradable waste landfilled could not exceed 50% of total biodegradable waste produced in 1995, with this goal dropping to 35% in 2016. The directive also provides that only waste that has been subjected to prior treatment be allowed, and that decommissioned sites be subject to surveillance and analyses as long as the competent authorities deem necessary (duration set at 30 years in France).

Industrial Emissions Directive

The new directive 2010/75/EU on industrial emissions, published in the Official Journal of the European Union on December 17, 2010, integrates the current directive 96/61/EC on Integrated Pollution Prevention and Control (IPCC) together with six sector-based directives, including the directive on incineration (2000/76/EC) and the directive on limiting emissions of certain pollutants into the air from large combustion plants (2001/80/EC). Following a two-year deadline for transposition, the directive should come into effect in early 2014, or early 2016 for existing facilities.

Today, as a complement to the environmental thresholds put in place by the directive on the incineration and co-incineration of waste, the "IPPC" directive provides that certain industrial and agricultural activities – one of which is waste services management – must be subject to a prior authorization, requiring for certain environmental conditions to be met. Through the adoption of specific measures (for example: recycling, prevention of accidents and treatment of sites at end-of-life), and through meeting operating requirements (for example, limits for the emission of polluting substances and monitoring of discharge), companies are responsible for prevention and reduction of the pollution they are likely to cause. The new directive introduces more stringent BREFs (documents defining the best available techniques), a modification to the limit values for emissions, and broadens the scope of application to new types of facilities, including recycling facilities.

Directives relating to specific waste

Directive 94/62/EC aims to reduce the environmental impact of packaging and packaging waste. This directive established quantified objectives for recycling and recovery of packaging used in the European market for December 31, 2008, which objectives are expected to be revised soon:

- a minimum of 60% of packaging waste must be reused or incinerated at energy recovery facilities;
- between 55 and 80% of packaging waste must be recycled;
- the following objectives must be met for materials contained in packaging waste: 60% for glass, paper and cardboard; 50% for metals; 22.5% for plastics and 15% for wood

The directive was revised in 2004 to clarify the definition of the term “packaging,” then again in 2005 to allow new Member States extra time for implementation.

The 2002/96/EC directive on waste electrical and electronic equipment (WEEE) imposes measures concerning product design (notably the reduction in the use of heavy metals used), the establishment of systems of collection, treatment and in particular recovery (systematic selective treatment of certain components and substances said to be hazardous) and participation of manufacturers in these measures in such a way as to encourage them to integrate recycling right from the design stage.

By introducing the principle of extended producer responsibility, this directive makes it mandatory for them to finance collection from the collection point, treatment, recovery and disposal of WEEE (for both household and professional WEEE).

These obligations go hand in hand with quantitative objectives relating to:

- separate collection: the annual average minimum rate of separate collection of waste from electrical and electronic equipment from households must be of 4 kilograms per inhabitant starting January 1, 2007;
- recovery: by the same date, the rate of recovery, by average weight per appliance, must be 80% for large appliances, 70% for small appliances and 75% for computer and telecommunications equipment;
- re-use: 80% for gas-discharge lamps, 75% for large appliances, 50% for small appliances and 65% for computer and telecommunications equipment.

Because the directive proved complicated to implement, the European Commission presented a draft revision on December 3, 2008, in order to improve several of the provisions (particularly with regard to traceability), to both simplify and reduce costs. The draft also contains proposed quantitative objectives for the years to come. A similar revision is underway for the 2002/95/EC directive aimed at restricting the use of hazardous substances (RoHS) in the WEEE, in the spirit of the action plan for sustainable production and consumption, published by the European Commission on July 16, 2008. Both these proposals should be adopted in spring 2011.

The 2006/66/EC directive lays down the rules for the collection, recycling, treatment and disposal of batteries and accumulators. It prohibits the sale of certain batteries containing mercury or cadmium in a proportion greater than a preset threshold, and sets two collection targets (25% minimum by September 26, 2012 and 45% minimum by September 26, 2016). This directive was modified by the 2008/12/EC directive, which came into force on March 30, 2008, and which specifically introduced changes in the implementing powers conferred on the European Commission.

The 2000/53/EC directive, relating to end-of-life vehicles, requires owners of end-of-life vehicles (ELVs) to return them to an authorized operator for destruction, on penalty of being unable to deregister their vehicle. Destruction involves extracting all materials and optimizing their reuse, recycling or recovering what can be recovered. The recycling rate must reach 80% and the recovery rate 85% beginning in 2006, and respectively 85% and 95% by 2015.

The 86/278/EEC directive on the protection of the environment, and in particular of the soil, regulates the use of sewage sludge in agriculture, so as to avoid harmful effects on soil, plants, animals and humans. Thus, in order for sludge from wastewater treatment plants to be recovered for agricultural purposes, it must comply with traceability requirements with regard to organic compounds and the various metallic trace elements that it may contain (heavy metals such as cadmium, mercury or lead). French standard NFU 44-095, drafted in 2002 and now applicable in France, goes further, defining a strict framework for recovery into soil conditioner of remaining substances after composting, produced by the treatment of wastewater or by the organic portion of household waste. Directive 86/278/EEC should soon be revised to incorporate updated limits on concentrations of heavy metals in sludge and soil, and potentially introduce new similar limits on the use of biowaste in agriculture.

(b) French regulations

In France, in compliance with Articles L. 511-1 *et seq.* of the ICPE (Environmental Code regarding Plants Classified for the Protection of the Environment), ministry and prefecture decrees and orders define the rules governing the treatment of waste. They specifically regulate the design, building, operation and monitoring after closure of these facilities. Hazardous waste is subject to strict tracking obligations throughout the entire treatment chain. Traceability of hazardous waste is provided by a waste tracking form (BSD). Energy recovery units are subject to numerous restrictions, notably limitations on emissions of pollutants. A third ICPE system that complements the reporting and authorization systems, this one known as the registration system, was introduced in 2009 in order to simplify the administrative regulation of certain low-pollution facilities.

Through the nature of its activities in water and waste, the Group is at the very center of the following environmental challenges:

- preservation of the environment: water, air, soil and human health, and control of potential impacts from the operation of water and waste treatment plants;
- climate change and reduction of greenhouse gas emissions;
- reduction in energy resources and the need for development of renewable energies;
- reduction of raw material resources;
- preservation of water resources;
- protection of natural environments and biodiversity.

Regarding protection of the environment, the originality of the services that SUEZ ENVIRONNEMENT offers its customers, local authorities and industries, as part of "delegation of service," is to treat-purify their waste or effluent, and to recover through a circular economy the recoverable portions of waste or energy.

Thus, SUEZ ENVIRONNEMENT is a major and positive contributor to the efforts to reduce nuisances and preserve resources and habitats.

Alongside this positive impact on the environment, there are nevertheless "negative contribution" aspects, as for all industrial activities, resulting from the operation of waste or water treatment centers, although they have a quantitatively lower impact on the environment. For this reason, they are governed by regulatory provisions applying to construction and operating activities, in order to protect the environment.

The remaining risks of impact on natural habitats and resources must be measured, controlled, and reduced to a minimum in a process of continuous improvement, through veritable environmental management of the facilities and procedures used.

Potential environmental nuisances or damage expose the Group to various risks, which are likely to generate additional costs, but also affect its image and reputation.

In general, and particularly for "service businesses activities", the Group's environmental performance is related to its operating performance. Because of increasingly strict regulatory restrictions in terms of environment, the local authorities are often required to call upon the expertise of qualified professionals to manage their assets and services.

To carry out a veritable Environment Policy, SUEZ ENVIRONNEMENT relies on two strategic axes:

1) Environmental management

- prevention plans,
- declaration of commitment for the entire Group,
- an organization and system to track environmental and operational performance,
- environmental certification,

2) An Environment Program,

- integration of the environment in sustainable development strategy and policy,
- action and progress plans for the environment and protection of health.

6.8 ENVIRONMENTAL POLICY

6.8.1 ENVIRONMENTAL MANAGEMENT

The Group implements an environmental policy aimed at reducing the financial risk related to environmental management, among other objectives. Furthermore, complying with national, regional and European regulations is a permanent goal:

- the Group develops innovative solutions in order to offer customers, whether they be municipalities or businesses, solutions that will solve their environmental problems efficiently and at the lowest possible cost, and to assume the water and waste management responsibilities entrusted to them by the legislative authorities more effectively;
- the Group constantly monitors the adequacy of all the plants and services it provides or manages to ensure that they meet the growing demands of environmental regulations. It also anticipates new legislation in order to be in the optimum position to meet the expectations of its customers and interested parties;
- it encourages its subsidiaries to implement their own environmental policies, based on their activities, local economic conditions, and the expectations of their industrial and municipal customers.

RISK PREVENTION SCHEMES

Risk management is performed on a daily basis due to the growing number of certified environmental management systems that have been set up within the Group and to the risk management schemes set up for this purpose.

Employee training, innovation, and research programs all contribute to the operational control of such risks.

The Group also carries out studies on the environmental impact of its activities.

THE ENVIRONMENTAL COMMITMENT DECLARATION OF JANUARY 2005

When it adopted the Environmental Commitment Declaration in January 2005, the Group set three clear objectives:

- "the quality of its activities must be certified by an independent body, in accordance with international standards (ISO 14001 certification of the environmental management system, for example)";
- "all facilities and services must be brought up to the standards of increasingly stringent environmental regulations";
- "the company must be a force for innovation for its customers, local authorities and companies".

Managers at all levels, known as "Environmental Officers", have been appointed to implement this scheme, with specific objectives and timetables. Performance indicators enable the monitoring of progress made over the years. The Business Units implemented Environment Programs applying to a share of their activity that represented 89% of the Group's 2010 total revenues.

AN ORGANIZATION AND SYSTEMS FOR MEASURING AND CHECKING ENVIRONMENTAL AND OPERATIONAL PERFORMANCE

In order to manage the roll-out of its environmental policy, control environmental risk and facilitate the communication of its environmental and operating performance to interested parties, SUEZ ENVIRONNEMENT undertook to put in place a specific reporting system from 2003 onwards. This system was developed, under GDF SUEZ's leadership, on the basis of recommendations resulting from work carried out in forums for international dialogue such as the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD). It complies with the provisions of the French NRE (New Economic Regulation) law.

The reporting exercise carried out in 2010 and the Group's practices in the area have continued, through a process of continual improvement, to improve the procedures for gathering and disseminating information on the environment, among other subjects. This information is also disseminated via SUEZ ENVIRONNEMENT's Annual Report and via the reports published by its Business Units.

Environmental reporting is closely linked to operating performance reporting and thus becomes a genuine management tool.

In environmental activities, indicators for measuring and improving environmental and operating performance are reported to the headquarters and the results are returned to the operating managers. They show the progress made and provide an overall view as well as specific views of each of the activity units, which are comparable within the Group (Benchmarking-type analysis).

The Group's desire to make the environment one of the pillars of its sustainable development policy and an integral part of its management is supported by the Group's senior executives and is implemented in the field by the operating teams. Auditors trained in the Business Units and at headquarters perform environmental audits to check that environmental regulation is complied with at the operating level and to assess major environmental risks. Audits are also organized in order to check that all necessary means are made available to the environmental coordinators, so that they are able to gather and report the best information available on their operating and environmental performance.

An annual letter of "commitment for environmental compliance" attests to the involvement of the operating management (CEOs of the Business Units), which undertakes to provide quality information on environmental reporting, which complies with definitions and which is checked, verified and validated.

MANAGEMENT SYSTEMS CERTIFICATION

The Group encourages managers at the sites and entities in charge of the services it offers to gain ISO 14001 or 9001 certification, or equivalent, according to international standards.

The indicators below show the progress made by the Group in terms of certification and environmental policy by activity:

Indicator	2010 Data
WASTE SERVICES	
Household and municipal solid waste tonnage, treated by the Group, certified by an environmental management system (EMS)	36.7 MT
Portion of waste treatment activity covered by an environmental management system (EMS)	90.2%
WATER SERVICES	
Volumes covered (drinking water + wastewater treatment) by certification issued by an environmental management system (EMS)	5,105 Mm^3
Portion of activity covered by an environmental management system (EMS)	60.3%

6.8.2 THE ENVIRONMENTAL PROGRAM

THE ENVIRONMENT, AN INTEGRAL PART OF SUEZ ENVIRONNEMENT'S SUSTAINABLE DEVELOPMENT POLICY AND STRATEGY

The SUEZ ENVIRONNEMENT environmental program was merged with the economic and employee programs in order to build a "sustainable development" program. This program is implemented throughout the entire Group through 4 priorities and 12 undertakings, which are monitored in practice using well-defined performance indicators (see Section 6.2 of this document).

The undertakings which have a specific bearing on the environmental issues covered by the program are defined in Priorities 1 and 2 of the program.

Priority 1: Conserve natural resources and promote the circular economy

Optimize waste recycling and recovery rates by increasing the proportion of the waste volumes we manage that is reused or recycled and recovered in the form of new materials, in order to minimize the impact of the life cycle of products.

Increase the yields of drinking water networks and reduce leaks in order to avoid wasting a precious resource.

Priority 2: Innovate to meet environmental challenges

Reduce greenhouse gas emissions (metric tons-equivalent of CO_2) in order to prevent climate change. In order to achieve this objective, the Group will rely, on the one hand, on the reduction of emissions from the vehicle fleet, technical facilities and buildings, which are vital in carrying out its activity and, on the other hand, on an increase in its contribution (thanks to recycling, energy recovery, etc.).

Improve energy efficiency by reducing the amount of power required by the Group's operations (consumption of fossil fuels, network energy consumption: electricity, gas, etc.).

Increase the production of renewable energy from energy recovery plants, sludge recovery or landfill biogas.

Incorporate biodiversity in site management: by putting in place action plans on sensitive sites and getting involved in national and regional conservation and biodiversity policies.

6.8.3 HEALTH PROTECTION

Concern for the health of residents, users and consumers is the motive for the implementation of control mechanisms within the Group, as well as for the methods and tools for anticipating a potential health crisis.

In addition to these ongoing control procedures, the Group anticipates health crises in order to avoid the consequences on the production and distribution of water or on the collection of waste. The organization of labor, identification of employees subject to rigorous constraints and the availability of vaccines and other medication are evaluated in order to ensure continuity of service in the event of a crisis.

WATER: QUALITY MONITORING

In Western societies, the treatment of drinking water, the development of collective water supply systems and the protection of water source areas, together with the collection and treatment of wastewater and vaccination and health awareness campaigns, have gradually eliminated large-scale epidemics of water-borne diseases.

In France, the requirements for tap water quality are determined by European regulations as transposed into national legislation. The Group's sites are subject to systematic surveillance thanks, for example, to remote surveillance and a 24-hour operating alert system.

Regulation defining quality standards develops in response to the identification of new risks. France has been campaigning for several years to eliminate lead pipe systems by 2013. The Group thus offers its customers replacements for lead pipelines and pipe systems: these additional works are the subject of contract renegotiations. However, the Group cannot rule out that this policy is insufficient and does not enable it to meet the end-of 2013 objectives, given the presence of lead in pipes for which private individuals are responsible and over which the Group has no control.

Besides bacteriological and physical-chemical criteria, certain substances known as "emerging" substances (e.g., chemical molecules, endocrine disruptors, etc.) are of particular concern to experts and operators in the water sector. The Group has put in place specific research programs in this area, to be better able to detect, monitor, understand and handle these new molecules.

The indicators set out below show measures put in place by the Group in order to limit the release (linked to its activity) of substances in water and soil:

Indicators	2010 Data
WASTE SERVICES	
Quantity of leachates treated	2.78 Mm^3
WASTEWATER TREATMENT	
Purification yield on organic substances in BOD	92.1%
Reuse of sludge recovered	51.5%

WASTE: CONTROLLING AIR EMISSIONS

In the waste sector, emissions are controlled and constantly monitored. The main potential pollutants, particularly the dioxins emitted by household waste incinerators, are thus the subject of constant monitoring, in accordance with the European regulations in force.

In France, several studies have established the absence of any serious argument establishing a causal link between incinerators and cancer (Afssa study, 2004 [1], InVS 2004,[2] etc.).

The indicators below show the Group's performance in emission of main pollutants:

Indicators	2010 Data
INCINERATION (NON-HAZARDOUS WASTE)	
SO_x emissions	271 t
NO_x emissions	4,144 t
Emissions of dust and particles	42 t
HAZARDOUS WASTE TREATMENT	
SO_x emissions	58 t
NO_x emissions	546 t
Emissions of dust and particles	28 t

WATER AND WASTE: LIMITING NOISE AND ODOR POLLUTION

SUEZ ENVIRONNEMENT (through its R&D Department) has recently developed a service called "NOSE", which objectively evaluates and models the impact of the olfactory footprint of wastewater collection and treatment activities or sites, sludge recovery or waste management on local residents.

This service enables the Group to suggest solutions for controlling the olfactory footprint, by keeping it below the level of two units of odor per m^3 (UO.m^3) and thus meeting regulatory requirements (footprint below the threshold of five units of odor per m^3) when these exist.

SITA is also experimenting with new solutions for reducing noise nuisance and limiting the CO_2 emissions of its collection activities. Thus, since October 2008, SITA France has been testing the first hybrid propulsion household waste container vehicle in the Lyons region, with the aim of reducing the consumption of energy, and therefore CO_2 emissions, by 30%. The Group has a lengthy experience in the use of electric vehicles for the collection of household waste: these vehicles are adaptable and silent, but they are handicapped by the weight and the cost of the batteries used to store energy.

6.8.4 CONSERVATION OF RESOURCES

WATER CONSERVATION

Population growth, changing eating habits and the resulting agricultural demand for water and the inadequacy of cleanup systems have resulted in growing pressure on water resources. In some regions, particularly those experiencing an increasing incidence of droughts, climate change risks adding to this pressure.

Water is a very unevenly distributed resource, which must be protected. Some countries have already experienced situations of water stress, which are harder to manage when they are at a low level of economic development. By 2025, two thirds of the world's population may be living in regions affected by strains in the water supply, particularly the Middle East and certain regions of Africa, Asia and Latin America.

(1) *The AFSSA (Agence Française de Sécurité Sanitaire des Aliments, French Food Safety Agency) study addresses impregnation by dioxins (using blood and urine samples) around 8 sites located close to an incinerator in several French départements and in contrasting geographical and culinary areas.*

(2) *The INVS (Institut National de Veille Sanitaire, National Institute of Health Monitoring) study addresses the evaluation of the risk of cancers in people living in the vicinity of household waste incinerators in four French départements between 1972 and 1985: Bas-Rhin, Haut-Rhin, Isère and Tarn.*

Reduction of water usage has received particular attention throughout the world, through programs to manage demand. These include infrastructure measures (reducing leaks) and other measures targeting user behavior: putting in place rate structures to encourage water saving, awareness campaigns to combat waste. In addition, the objectives of such programs increasingly exceed the mere optimization of economic efficiency (reducing costs of consumable materials), and include careful management of the resource as an objective in itself. The use of "non-conventional" water resources is expected to grow significantly. In particular, the reuse of wastewater for agricultural and industrial purposes, for the upkeep of public parks, or even for the replenishment of groundwater reserves, is likely to increase by 10% to 12% per year.

Through its activities as a drinking water and wastewater treatment services operator, the Group's contribution to the protection of water resources and ecosystems falls into two specific categories:

- controlling the quality of discharges from wastewater treatment systems into the natural environment;

The indicators featured below concern the water consumption linked to the Group's processes:

Indicator	2010 Data
WASTE SERVICES	
Water consumption excluding cleaning services (urban, industrial)	7.77 Mm^3
WATER (DRINKING WATER)	
Linear Loss Rate*	12.6 m^3/km/day
Technical yield of the drinking water supply networks	75.6%

* *Excluding Agbar: 9.5 m^3/km/day*

- managing the protection zones around drinking water capture areas, which are favorable environments for biodiversity.

In 2008, the Group tested new indicators aimed at better evaluating the environmental biodiversity risk and the Group's level of activity by encouraging conservation when operating its sites. Among those indicators were the number of sensitive sites listed and the number of action plans drawn up for water and waste. The trend of these indicators is given in the Sustainable Development: Commitments and Performance Report.

SORTING

In the waste sector, resources are preserved through the development of waste recovery and recycling, as shown by the following indicators:

Indicators	2010 Data
Number of sorting centers	350
Tonnage received in sorting centers	10.9 MT
Tonnage of materials recovered from sorting centers	6.37 MT

Alongside household or industrial and commercial waste sorting centers, activities for the recovery of materials in monoflow were also developed and now supply directly the recycling subsidiaries.

Through the acquisition of companies committed in the recovery of ferrous and non-ferrous metals, SITA France is pursuing growth in the recycling sector.

SOIL DEPOLLUTION

As a specialized subsidiary, SITA Remediation runs a depollution activity – rehabilitation of contaminated soil both for the private sector and public authorities. These treatments are conducted either in situ or by excavation and treatment in the appropriate plants under the Group's ownership. For example, SITA FD, a subsidiary of SITA France, has developed multimodal treatment platforms capable of treating most of the pollutants encountered: hydrocarbons, non-biodegradable organic substances, organic materials and heavy metals.

Indicators	2010 Data
Tonnage of soil treated/recovered	996,728 t

This treatment is performed under close environmental supervision, with a traceability, which enables all parties involved in the procedure to be more responsible for their actions.

6.8.5 PREVENTING CLIMATE CHANGE

PRESENTATION OF THE REGULATORY FRAMEWORK FOR CLIMATE CHANGE

In recent years, there has been a significant increase in regulation relating to reduction of emissions of CO_2 and other greenhouse gases at the global and European Union level in particular.

The institutional framework regulating carbon constraints is the result of the United Nations Framework Convention on Climate Change dated May 9, 1992, the Kyoto Protocol of December 11, 1997, and, in Europe, Directive no. 2003/87/EC of the European Parliament and of the Council of October 13, 2003, relating to the European Community Emissions Trading Scheme (EUETS). The EUETS Directive, which sets the European market for quotas, affects almost 12,000 facilities in Europe and has an impact on almost 50% of European CO_2 emissions.

Directive no. 2004/101/EC of the European Parliament and of the Council of October 27, 2004 (known as the "Projects Directive"), which was an amendment to the EUETS Directive, established the means whereby companies could use emissions reductions generated abroad in connection with CDM (clean development mechanism) and JI (joint implementation) projects in order to meet their European targets for greenhouse gas reduction within the EUETS system. The transposition of this European Directive into the national laws of the 27 Member States define the utilization limits and practical conditions through which projects are submitted for approval.

IMPACT ON WATER AND WASTE ACTIVITIES

Even if the contribution of water and waste management activities to greenhouse gas emissions is modest, and the latter are not currently covered by restrictive regulatory provisions, the Group's companies play an active role in controlling such emissions. The Group believes that it is responsible for making every effort to avoid contributing to global warming.

The Group's greenhouse gas emissions (water and waste sectors combined) were fairly low in 2010. SUEZ ENVIRONNEMENT is nonetheless oriented to reducing its contribution, in particular in the area of direct emissions such as methane emissions from landfills.

The Group increasingly seeks to reduce emissions linked to waste collection and transportation activities, cleaning activities and wastewater treatment activities carried out with a fleet of around 13,000 heavy vehicles. The purpose of this effort is mainly to look for savings in fuel consumption, through the optimization of collection rounds (frequency and distance traveled) for example, the procurement of new engines and by training drivers to drive in ways, which save fuel. Moreover, efforts have been made to use alternative fuels, which do not contribute as much to the greenhouse effect, such as biofuels, gas and electricity. However, technical factors relating to specific waste collection constraints do not allow major important development in the use of such alternative energies.

The following indicators show the Group's direct and indirect emissions of greenhouse gases:

- as regards waste, the Group is more interested in direct greenhouse gas emissions due to collection and transport, as well as landfilling and incineration, which represent the primary components of direct and indirect emissions in this sector (over 95%)

  In 2010, they represented: 5.39 MT eq CO_2;

- unlike in the waste sector, in the water sector the Group is more interested in indirect greenhouse gas emissions due to energy consumption of all kinds for the production and distribution of drinking water, as well as the treatment of wastewater and sludge (which represent over 90% of direct and indirect emissions in this sector).

  In 2010, they represented: 1.07 MT eq CO_2;

In addition, SUEZ ENVIRONNEMENT, thanks to its efforts in materials recovery (sorting and recycling) and energy (incineration and landfill) allows other participants to reduce their greenhouse gas emissions, thus helping to eliminate these emissions more generally.

The Group's activities therefore have a beneficial effect on greenhouse gas emissions.

Landfills are the second sector where the Group is active in combating climate change. Methane, which is released by the decomposition of fermentable waste, is a greenhouse gas with a greater warming potential than CO_2. It can be recovered to produce electricity, heat or fuel for vehicles. Waste incineration also provides an opportunity for energy recovery. If it is not recovered, the methane is collected and burnt in flare towers.

In 2010, the Group continued its efforts to improve and spread the capture and recovery of biogas from its landfills.

Indicators	2010 Data
Proportion of waste disposed of in landfills equipped with a biogas collection and treatment system	92.9%

In 2010, 5.62 million metric tons of household and municipal solid waste were incinerated and thus recovered via the generation of 2,398 GWh of electricity and the sale of 1,041 thermal GWh.

This production should be compared with the electricity consumption of SUEZ ENVIRONNEMENT:

Indicators	2010 Data
Electricity Consumption (Waste)	528 GWhe
Electricity Consumption (Water)	3,007 GWhe

6.8.6 EXPENDITURE AIMED AT GUARANTEEING ENVIRONMENTAL PROTECTION

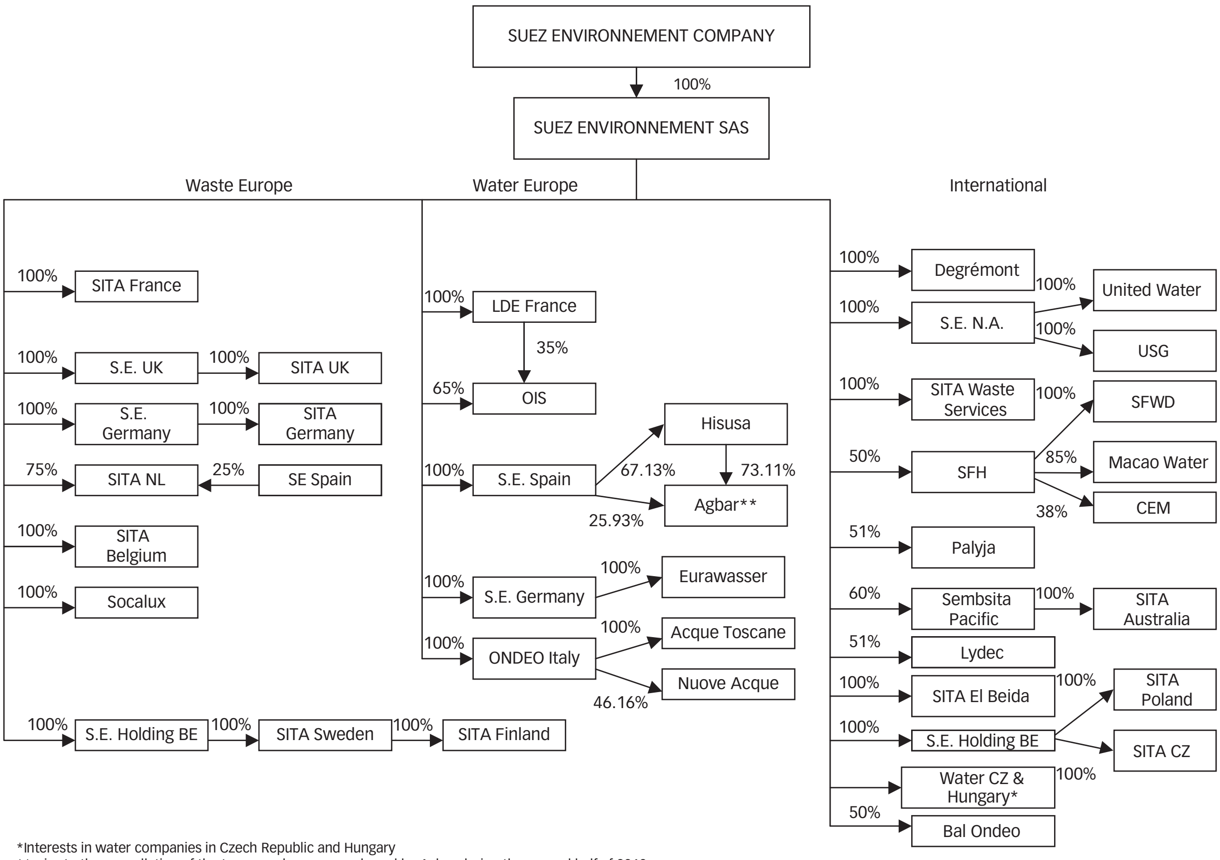
By the very nature of its activities, the Group has a direct impact on the environment. There is therefore not much sense in separating expenditures, which have a direct or indirect impact on the environment.

In accordance with European regulations, the Group records provisions intended to cover the expenses of the long-term monitoring of landfills after their closure. Other provisions are also recorded to deal with potential environmental risks:

Indicators	2010 Data
Provisions for closure and post-closure	€540.4 million
Provisions for environmental risks	€ 9.2 million
Provisions for dismantling non-nuclear facilities	€ 11.3 million

7 ORGANIZATIONAL CHART

7.1 SIMPLIFIED GROUP ORGANIZATION AT DECEMBER 31, 2010



*Interests in water companies in Czech Republic and Hungary
**prior to the cancellation of the treasury shares repurchased by Agbar during the second half of 2010

7.2 PRESENTATION OF THE GROUP'S MAIN SUBSIDIARIES

The presentation of the Group's main subsidiaries is found in Section 6 of this document. Note 28 to the consolidation financial statements in section 20.1 gives the list of the Group's main companies.

7.3 RELATIONS WITH SUBSIDIARIES

SUEZ ENVIRONNEMENT COMPANY is a holding company with no employee. At December 31, 2010, its sole shareholding was 100% of the share capital of SUEZ ENVIRONNEMENT SAS. It carries the Group's bond debt (see Section 10.3 of this Reference Document).

On January 1, 2008, a consolidated tax group was created in France between the Company and the subsidiaries in which it holds at least 95% of the capital. As a result of this tax group, SUEZ ENVIRONNEMENT COMPANY and each of the consolidation tax group member companies have entered into tax consolidation agreements. Every year, subsidiaries might leave or enter the consolidated tax group. In the second case, new agreements are signed between SUEZ ENVIRONNEMENT COMPANY and each joining subsidiary.

The Group has established a centralized cash management system for its main French and international subsidiaries, which optimizes net cash positions at the level of SUEZ ENVIRONNEMENT SAS.

Other cash flows within the Group consist primarily of loans granted by SUEZ ENVIRONNEMENT SAS to some of its subsidiaries.

In addition to cash flows related to cash management and financings, SUEZ ENVIRONNEMENT SAS receives dividends from its subsidiaries; relating to fiscal year 2009, these dividends totaled €428 million and were fully paid in 2010.

In addition, SUEZ ENVIRONNEMENT SAS provides different types of services to the other Group subsidiaries, particularly administrative and financial services, as well as technical assistance. In return for these services, SUEZ ENVIRONNEMENT SAS bills the other Group's subsidiaries. In 2010, total compensation received by SUEZ ENVIRONNEMENT SAS in connection with these services amounts to €76 million.

8 REAL ESTATE AND EQUIPMENT

8.1 GROUP REAL ESTATE AND EQUIPMENT

The Group owns and operates several drinking water production plants, wastewater treatment plants, storage reservoirs, and water distribution networks.

The Group also operates a number of waste incineration plants, mainly in Europe, as well as numerous landfills, primarily located in France and the United Kingdom.

Information on the main facilities and plants operated by the Group at December 31, 2010, is provided in the table below:

Country	City/Area/State	Activity	Capacity
Germany	Cröbern	Treatment of polluted soil	750,000 t/yr
	Cröbern	Pre-treatment of household waste	300,000 t/yr
	Zorbau	Waste incineration	300,000 t/yr
	Laar/Coevorden	Waste incineration	364,000 t/yr
Australia	Cairns	Composting	110,000 t/yr
	Mindarie	Pre-treatment of household waste	100,000 t/yr
	Melbourne	Non-hazardous landfill	400,000 t/yr
	Sydney(EDL)	Hazardous and non-hazardous landfill	350,000 t/yr
	Sydney(PWP)	Production of drinking water	3,000,000 m³/d
	Wingfield	Pre-treatment of waste for RDF production	180,000 t/yr
Belgium	Sleco	Fluidized bed waste incineration	466,000 t/yr
	Beveren ROX	Waste incineration	350,000 t/yr
	Grimbergen	Treatment of polluted soil and hazardous waste	300,000 t/yr
	Lodelinsart	Pre-treatment of household waste	230,000 t/yr
	Brussels - Laken	Pre-treatment of household and commercial waste	200,000 t/yr
Chile	Santiago	Wastewater treatment plants	1,217,000 m³/d

Country	City/Area/State	Activity	Capacity
China	Chongqing	Production of drinking water	520,000 m³/d
		Wastewater treatment station	300,000 m³/d
	Tanzhou	Production of drinking water	150,000 m³/d
	Zhengzhou	Production of drinking water	360,000 m³/d
	Zhongshan	Production of drinking water	1,000,000 m³/d
	Changshu	Production of drinking water	675,000 m³/d
	Tianjin	Production of drinking water	500,000 m³/d
	Qingdao	Production of drinking water	726,000 m³/d
	Baoding	Production of drinking water	260,000 m³/d
	Sanya	Production of drinking water	230,000 m³/d
	Tanggu	Production of drinking water	280,000 m³/d
	Macao	Production of drinking water	330,000 m³/d
	Macao	Production of electricity	471Mw
	Shanghai SCIP	Production of water	200,000 m³/d
		Demineralization	45,000 m³/d
		Treatment of industrial wastewater	26,500 m³/d
		Hazardous industrial waste incineration	60,000 t/yr
	Hong Kong – WENT	Non-hazardous landfill	2,150,000 t/yr
	Hong Kong – NENT	Non-hazardous landfill	810,000 t/yr
Egypt	Gabal El Asfar	Wastewater treatment plants	625,000 m³/d
Spain	Barcelona	Production of drinking water	1,340,000 m³/d
France	Issy-les-Moulineaux	Waste incineration	460,000 t/yr
	Bègles	Waste incineration	255,000 t/yr
	Créteil	Waste incineration	235,000 t/yr
	Argenteuil	Waste incineration	185,000 t/yr
	Lyon	Waste incineration	150,000 t/yr
	Bessières	Waste incineration	170,000 t/yr
	Villers St Paul	Waste incineration	157,000 t/yr
	Lagny	Waste incineration	150,000 t/yr
	Carrières sur Seine	Waste incineration	140,000 t/yr
	Vedène	Waste incineration	180,000 t/yr
	Gennevilliers	Pre-treatment of household waste	190,000 t/yr
	Bordeaux	Production of drinking water	316,000 m³/d
	Morsang	Production of drinking water	225,000 m³/d
	Le Pecq-Croissy	Production of drinking water	160,000 m³/d
	Aubergenville	Production of drinking water	140,000 m³/d
	Hersin Coupigny	Non-hazardous landfill	600,000 t/yr
	La Roche Molière	Non-hazardous landfill	500,000 t/yr
	Les Aucrais	Non-hazardous landfill	300,000 t/yr
	Satolas	Non-hazardous landfill	300,000 t/yr
	Villeparisis	Hazardous landfill	250,000 t/yr
		Treatment of polluted soil	60,000 t/yr
	Roussillon	Hazardous industrial waste incineration	115,000 t/yr
	Pont de Claix	Hazardous industrial waste incineration	70,000 t/yr
	Dijon	Wastewater treatment station	400,000 m³/d
		Production of drinking water	114,000 m³/d
	Valenton	Wastewater treatment station	600,000 m³/d
Hungary	Budapest	Production of drinking water	960,000 m³/d
India	Chembarambakkam	Production of drinking water	530,000 m³/d
Indonesia	Jakarta	Production of drinking water	450,000 m³/d
Italy	Milan San Rocco	Wastewater treatment station	777,600 m³/d
Mexico	Ciudad Juarez	Wastewater treatment station	300,000 m³/d
	Culiacan	Wastewater treatment station	150,000 m³/d
The Netherlands	Rotterdam	Pre-treatment of household waste	250,000 t/yr
Poland	Radom	Pre-treatment of industrial waste	95,000 t/yr
	Starol	Pre-treatment of industrial waste	160,000t/yr
	Ryman	Non-hazardous landfill	220,000 t/yr
Czech Republic	Spovo	Hazardous waste incineration	18,000 t/yr
	Usti	Hazardous and non-hazardous landfill	75,000 t/yr
	Brno	Production of drinking water	247,000 m³/d

Country	City/Area/State	Activity	Capacity
United Kingdom	Cleveland	Waste incineration	263,000 t/yr
	Billingham-Teesside	Waste incineration	193,000 t/yr
	Albury	Non-hazardous landfill	420,000 t/yr
	Clifton Marsh	Non-hazardous landfill	525,000 t/yr
	Packington	Non-hazardous landfill	1,400,000 t/yr
	Path Head	Non-hazardous landfill	700,000 t/yr
	Sidegate lane	Non-hazardous landfill	100,000 t/yr
	Stoney	Non-hazardous landfill	355,000 t/yr
	Whinney Hill	Non-hazardous landfill	700,000 t/yr
	Fareham	Pre-treatment of non-hazardous waste	300,000 t/yr
	Bristol	Production of drinking water	560,000 m³/d
USA	Haworth	Production of drinking water	624,000 m³/d
	Idaho	Production of drinking water	397,000 m³/d
	New Rochelle	Production of drinking water	230,000 m³/d
	Indianapolis	Wastewater treatment station	928,000 m³/d
Taiwan	Ren Wu	Waste incineration	380,000 t/yr

Particularly for its water business, the Group also has numerous assets, which are governed by service agreements with a limited term, under which the Group carries out most of its operations.

At the beginning of a project, the client awards the Group the right to use pre-existing buildings and facilities, which are made available, for the duration of the contract. Any initial investments, at least specific investments, are generally subject to a clause that provides for return to or take-over by the client or the Group's successor upon the term of the contract. For the duration of the contract, and depending upon the legal systems involved, the Group may or may not be the legal owner, but it practically always controls the assets needed for the operations and provides for their maintenance and renewal, as necessary.

8.2 ENVIRONMENTAL CONSTRAINTS THAT MAY AFFECT THE GROUP'S USE OF ITS FIXED ASSETS

Environmental issues that may affect the use of the various facilities fully owned or operated by the Group are described in Section 6.8 of this Reference Document.

9 FINANCIAL REVIEW

CONTENTS

9 FINANCIAL REVIEW

The following financial review for the Group should be read in conjunction with the consolidated financial statements set out in Section 20.1 of this document.

9.1 GENERAL INFORMATION

9.1.1 INTRODUCTION

In a gradually improving economic environment, SUEZ ENVIRONNEMENT showed strong **revenue** growth in 2010 (+12.8%). In addition to the positive impact of foreign exchange rates and acquisitions, this improvement is mainly carried by a strong organic growth (+8.6%) fuelled mainly by its International and Waste Europe business segments.

This revenue growth was accompanied by a 13.6% increase in **EBITDA** and a 10.7% increase in **current operating income** (10.5% and 6.2% excluding foreign exchange rate impact, respectively). The COMPASS cost reduction program contributed €120 million in 2010. The more moderate growth of current operating income compared to EBITDA is attributable to the increase in amortization due to recent acquisitions.

Net income Group share was €565 million. Aside from the growth in current operating income, this €162 million increase over 2009 was due mainly to capital gains on disposals and to remeasurement (in accordance with IFRS 3 Revised) in the context of business combinations in the first half of 2010 (the unwinding of joint interests in the water business in France and the friendly takeover of Aguas de Barcelona).

Free cash flow [1] before disposals and development investments was €852 million, up 20% on the €710 million in 2009 excluding significant non-recurring items (repayment of 2008 interim income tax payments in France of which €76 million was repaid in 2009, and the increase in accrued interests on bonds issued in 2009 which increased net debt but did not appear in free cash flow because €105 million were paid in 2010). Restated from these elements, free cash flow improved by €142 million due to the 10% increase in cash generated from operations before financial expenses and taxes, management of maintenance investments and more effective management of working capital requirements (marked improvement in a context of strongly rising revenue).

Net financial debt was €7,526 million at December 31, 2010, up €1,244 million on 2009. The increase was due mainly to the friendly takeover of Aguas de Barcelona and the impact of changes in the consolidation method (€1,354 million), negative foreing exchange and "Mark to Market" impacts, due to the depreciation of the euro against most foreign currencies (in the amount of €319 million). Net debt was 113.6% of total shareholders' equity at end 2010 versus 142.2% at end 2009. This improvement is mainly due to the issuance of €750 million (before issue fees) of undated deeply subordinated notes recognized in shareholders' equity (see Note 15.7 to the financial statements).

A resolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the year ended 31 December 2010, to pay a dividend of €0.65 per share totaling €318 million, subject to approval by the Shareholder' Meeting on May 19, 2011.

(1) The Group uses the free cash flow indicator to measure cash generated from existing operations before development investments. Cash generated from operations before financial expenses and taxes reconciled with free cash flow is presented in Section 9.3.1 of this document. Total free cash flow in 2009 was €891 million.

9.1.2 SIGNIFICANT EVENTS IN THE PERIOD

9.1.2.1 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.

As of December 31, 2010 the accounting treatment for the business combination was final (see note 2 to the consolidated financial statements).

9.1.2.2 COMPLETION OF UNWINDING THE JOINTLY HELD 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 (see note 2 to the consolidated financial statements).

9.1.2.3 SIGNIFICANT CONTRACTS

In France, SUEZ ENVIRONNEMENT through its subsidiaries Lyonnaise de Eaux and Degrémont Services won the delegation of public services contract for the Strasbourg wastewater treatment plant servicing 1,000,000 equivalent inhabitants representing a total €98 million over eight years.

Lyonnaise des Eaux also won the contract to design, build and operate the Sartrouville water park for 20 years representing total revenue of €50 million.

In Spain, Agbar won a €980 million 50-year drinking water distribution contract for the city of Calvia (Majorca) as well as a €113 million 50-year drinking water distribution and wastewater treatment contract for Sant Vicenç dels Horts in the Barcelona area. Agbar has also renewed contracts with Ponferrada (Leon Province) for a term of 25 years and a total of €137 million revenue, and with Oliva (in Fuerteventura) for 50 years and total revenues of €64 million.

SUEZ ENVIRONNEMENT, through its US subsidiary United Water, won a 10-year concession contract to design, build and operate (DBO) waste collection and wastewater treatment plants in East Providence, Rhode Island. United Water now has operational responsibility for the system and for the conformity of its infrastructures and treatment processes, a service valued at €38 million. The 10-year facility operating contract represents €33 million.

A group comprising Agbar (51%) and Degrémont (49%) signed a €260 million contract with Aguas Andinas to extend and then operate for five years the Mapocho wastewater treatment plant in Santiago Valley, Chile. The contract includes modernizing the facility to improve energy recovery from sludge.

As part of a consortium with the Brazilian engineering company Odebrecht, Degrémont signed a contract with the Health Ministry of Panama to design, build and operate for four years a purification plant for urban wastewater in the capital for a total value of €170 million, of which €80 million will be revenue for Degrémont.

A business combination led by Degrémont signed a €230 million contract (Degrémont's share being €110 million) with the Paris Interregional Wastewater Treatment Syndicate (SIAAP) to rebuild the pre-treatment section of the Lower Seine purification plant located in Yvelines (Paris area).

SUEZ ENVIRONNEMENT through its subsidiaries Degrémont and Ondeo Industrial Solutions (OIS) signed a contract with the consortium EGASA-TKK which is in charge of building the twelfth Petrobras refinery in northeast Brazil. The contract is to design and build an industrial wastewater treatment and recycling plant at the new facility. Total revenue from this contract will be €97 million, €49 million of which for Degrémont.

The Group through its subsidiary Sino French Water and with Chongqing Water Group and Changshou Chemical Industrial Park Development and Construction Company Ltd, obtained a new 30-year concession contract with a possible 20-year extension, for industrial wastewater treatment services at the Chongqing Changshou industrial and chemical park.

SITA France won the contract to operate the household waste incineration plant at Ivry (Paris area) with a total value of €210 million over 6 years including a conditional 3-year operating tranche.

SITA UK, a subsidiary of SUEZ ENVIRONNEMENT and a waste management specialist was selected to enter into exclusive negotiations with the County of Suffolk under a Private Finance Initiative (PFI) contract to manage household waste in the county for 25 years. Total projected value over the lifetime of the contract is £1 billion. The contract is to build and operate a waste energy recovery plant with a capacity of 269,000 metric tons a year and produce electricity for the equivalent of 30,000 homes. SITA UK will invest £180 million in building the plant.

SITA UK renewed the Aberdeenshire waste treatment contract for a total revenue of £200 million over 15 years with a possible further 5-year extension.

9.1.2.4 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.

9.1.2.5 INCREASED 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.

9.1.2.6 OTHER MAJOR EVENTS

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%.

Bonds issues

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).

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 Section 10.3.2 and Note 2.8 – Major transactions in 2010, 13.3 – Net debt, and Note 15 – Equity, section 20.1).

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).

Moving of the headquarters of SUEZ ENVIRONNEMENT and its main French subsidiaries

In 2009 the SUEZ ENVIRONNEMENT Group decided to bring together in one place the teams of the head office of SUEZ ENVIRONNEMENT, as well as those of its subsidiaries Lyonnaise des Eaux, SITA France, Degrémont and OIS. The moving of these teams to a single site in the La Défense area (Paris region) was completed in November 2010.

9.2 ANALYSIS OF INCOME STATEMENTS

9.2.1 MAIN INCOME STATEMENT ITEMS

REVENUES

Revenues generated by water supply are 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.

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

Revenues from other forms of waste treatment (primarily sorting and incineration) are based on volumes processed and services by the operator and the revenues generated by recycling and reuse, such as the sale of raw materials (paper, cardboard, glass, metals, plastics, etc.) for sorting centers and the sale of energy (electricity or heat) for incinerators.

Revenues from engineering, construction and service contracts are determined using the percentage of completion method. 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.

PURCHASES

Purchases primarily include purchases of unpurified water intended for treatment prior to delivery to customers, as well as purchases of equipment, parts, energy, combustibles and recyclable materials.

OTHER OPERATING INCOME AND EXPENSES

Other operating income includes reinvoicing direct charges and overheads.

Other operating expenses primarily include costs relating to subcontracting and other external services, maintenance and repair costs for waste collection and treatment equipment, production costs, water and waste treatment costs, and administrative costs. This item also includes other routine operating expenses such as rental expenses, external personnel costs, commissions and fees to intermediaries, and taxes other than corporate income tax.

CURRENT OPERATING INCOME

Current operating income is an indicator used to present a certain level of operating performance. It is a sub-total which facilitates interpretation of the Group's performance by excluding elements which, in the Group's view, are insufficiently predictable due to their unusual, irregular or non-recurring nature. These elements relate to asset impairments, disposals, scope effects, restructuring costs and marked-to-market of trading instruments.

EBITDA

The Group uses EBITDA to measure its operating performance and capacity to generate operating cash flows. EBITDA is not defined in IFRS and does not appear directly in the Group's consolidated income statement.

Current operating income can be reconciled with EBITDA as follows:

Current Operating Income
- Depreciation, amortization and provisions
- Share-based payment (IFRS 2) (1)
- Net disbursements under concession contracts (2)

EBITDA

(1) This item includes the allocation of stock options, shares granted free of consideration, and payments made by the Group in relation to company savings plans (including employer's top-up contributions).

(2) This item corresponds to the sum of the renewal expenditure relating to concessions and to the evolution of assets and liabilities for concessions renewals.

The reconciliation of current operating income to EBITDA for 2009 and 2010 is set out in Note 3.4 to the consolidated financial statements.

9.2.2 COMPARISON OF FISCAL YEARS ENDED DECEMBER 31, 2010 AND 2009

In millions of euros	2010	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**
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	**1,221.3**	**867.1**
Financial expenses [(b)]	(508.2)	(394.7)
Financial income [(b)]	94.6	134.7
Net financial income	**(413.6)**	**(260.0)**
Income tax expense	(119.0)	(128.8)
Share in net income of associates	31.4	37.6
Net income	**720.1**	**515.9**
Of which non-controlling interests	155.4	112.9
Net income Group share	**564.7**	**403.0**

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

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

Other income statement items:

In millions of euros	2010	2009
EBITDA	**2,339.4**	**2,059.9**

REVENUES

In millions of euros	2010	2009	Change	% change
Water Europe	4,248.3	3,993.3	255.0	6.4%
Waste Europe	5,862.7	5,319.0	543.7	10.2%
International	3,743.5	2,968.6	774.9	26.1%
Other	14.8	15.5	(0.7)	(4.8%)
Revenues	**13,869.3**	**12,296.4**	**1,572.9**	**12.8%**

In a gradually improving economic environment in Europe and in the United States, SUEZ ENVIRONNEMENT showed revenues of €13,869 million in 2010, up 12.8% on 2009. The €1,573 million increase can be broken down as follows:

- Organic growth €1,030 million (8.6%) driven by the three operating segments. International saw the strongest growth (17.7%) benefiting from high activity at Degrémont with, in particular, the Melbourne contract contributing as well as dynamic volumes and prices in Asia, Central Europe and Morocco. Waste Europe also posted sustained growth (8.4%) mainly due to the significant increase in volumes and prices of secondary raw materials (mainly metals and paper) benefiting the sorting/recycling business. Water Europe was also up (0.8%) thanks to price increases, a rise in volumes billed at Agbar and increase in works in France. These effects were partially offset by the decline in volumes billed in France and by the ending of the Paris contract.

- Favorable scope effects in the amount of €267 million mainly due to acquisitions completed in Water in 2010 in France and Spain, and the full-year contribution of acquisitions completed in 2009 (specifically in Waste in France and in International with the acquisition of an additional 50% stake in SITA Waste Services in Hong Kong) which offset the sale at the end of 2009 of the 50% stake in the company LondonWaste.
- Favorable foreign exchange effects in the amount of €276 million relating mainly to the Australian dollar (€81 million), pound sterling (€34 million), US dollar (€34 million), Chilean peso (€33 million) and Swedish krona (€20 million).

At December 31, 2010, 37% of the Group's revenue was realized in France, 73% in Europe, and 84% in the "mature" markets which are Europe, North America and Australia.

Water Europe

The Water Europe segment contributed €4,248 million to Group revenue in 2010, up €255 million (an increase of 6.4%).

Water Europe posted organic revenue growth of 0.8% (€26 million) thanks to:

- Organic growth of 0.2% at Lyonnaise des Eaux (€4 million). The ending of the Paris contract and slower OIS business were offset by an increase in new works in France (driven mainly by the construction of wastewater treatment plants at Cannes, Digne and Port Saint Louis du Rhône) and by rises in contractual prices in a context of slightly shrinking volumes (-1% excluding Paris).
- Organic growth of 1.8% at Abgar (€23 million) driven by price increases in water in Spain and the United Kingdom, higher volumes in China and Chile as well as a strong rise in the number of policy holders in the healthcare division in the first five months of the year. These factors were partially offset by a slowdown in works activity linked to the effect of the economic crisis and to the completion of major projects in 2009, as well as to a decline in prices in Chile as a result of deflation in 2009.

Waste Europe

The Waste Europe segment contributed €5,863 million to Group revenues in 2010, up €544 million (10.2%) vs. 2009.

Organic growth of 8.4% (€445 million) thanks mainly to:

- Strong rise, in all countries, of sorting/recycling activities benefitting from a very favorable price effect (significant increase in prices of secondary raw materials, particularly metals and paper) as well as from increasing volumes worldwide.
- In contrast, volumes sent to landfill declined in all countries.

This growth was seen in France (10.4%; €297 million), Benelux/Germany (9.2%; €125 million) and to a lesser extent in the United Kingdom/Scandinavia (2.0%; €22 million) due to a fall in industrial and commercial volumes in these countries.

Overall, total volumes treated by the Group in Europe were up 1% in 2010.

International

The International segment contributed €3,744 million to Group revenues in 2010, up €775 million (+26.1%) on 2009. Organic growth accounted for €560 million (17.7%) that comes from:

- Very strong increase at Degrémont (38.1%, €420 million) driven mainly by the execution of the Melbourne desalination plant and also a contribution from numerous activities in France (Evreux, Bordeaux, Fréjus, Lyon and Dijon), Chile (Mapocho), China (Chengdu) and Brazil (three contracts with Petrobras and one contract with Petroquimica).
- The dynamism of all countries in the Asia-Pacific business unit (10.4%, €71 million). In Australia, the new Brisbane street cleaning and Parks residential contracts contributed to growth in collection, and the commissioning of the new SAWT and Mindarie facilities explains the rise in treatment activity. In Water in China, the rise stemmed essentially from the growth in revenue from Chinese joint ventures (sharp rise in volumes and prices). The waste activities of SITA Waste Services were driven by the increase in incinerated volumes.
- Steady growth in Central Europe – Maghreb – Middle East (5.6%, €44 million) particularly in Morocco, Poland (manly linked to snow clearing) and the Czech Republic.
- Growth in North America (4.3%, +€25 million) due to price increases resulting from the successful outcomes in "rate cases" in the regulated market in the United States as well as higher volumes.

International also benefited from a very favorable foreign exchange impact (€189 million) due to the appreciation of foreign currencies against the euro in 2010 (mainly the Australian dollar, US dollar and Indonesian rupee).

Other

The Other segment contributed €15 million to Group revenues in 2010 compared to €16 million in 2009.

OPERATING EXPENSES

Purchases

Purchases amounted to €3,573 million in 2010, up €687 million (23.8%) versus 2009.

This increase is largely due to strong organic growth and the consolidation of new entities.

Personnel costs

Personnel costs were €3,291 million in 2010, up €145 million (4.6%) versus 2009 (for a breakdown of personnel costs see Note 4.2 to the consolidated financial statements).

Personnel costs were up due to annual pay increases (in France in particular) and scope effects (at Agbar and Lyonnaise des Eaux in particular).

Depreciation, amortization and provisions

Net allocation to amortization, depreciation and provisions was €1,027 million in 2010, up €175 million on 2009, mainly due to scope effects and an additional amortization charge of €22 million resulting from the allocation of goodwill generated by recent acquisitions.

Other operating income and expenses

Other operating income and expenses amounted to €4,954 million in 2010, an increase of €467 million on 2009, in line with the increase in revenue.

CURRENT OPERATING INCOME

In millions of euros	2010	2009	Change	% change
Water Europe	484.5	432.7	51.8	12.0%
Waste Europe	348.6	314.1	34.5	11.0%
International	327.3	309.1	18.2	5.9%
Other	(135.6)	(129.9)	(5.7)	4.4%
Current Operating Income	**1,024.8**	**926.0**	**98.8**	**10.7%**

The Group's current operating income was €1,025 million in 2010, up €99 million on 2009. This growth breaks down as follows:

- Organic growth slightly down by €9 million (-1.0%) primarily due to the decline in Water Europe (down €40 million) and Other (down €6 million), partially offset by steady activity in Waste Europe (up €33 million) and International (up €3 million);
- Scope effects mainly in Water in Spain and France (up €66 million);
- Favorable foreign exchange rate impact in the amount of €42 million (mainly due to the appreciation of the Chilean peso, Australian dollar and US dollar against the euro).

Water Europe

The Water Europe segment contributed €485 million to the Group's current operating income in 2010, up €52 million (+12.0%) on 2009.

This improvement is due to favorable scope effects adding €77 million (the unwinding of joint interests in Water with Veolia in France and the takeover of Agbar in Spain) and a positive foreign exchange rate impact (€14 million) offset by negative organic growth (-€40 million).

The latter results mainly from Lyonnaise des Eaux France ending its Paris contract, a slight decline in drinking water volumes sold and investment in developing the new business lines (telemetering, new sales packages). These negative factors were only partially offset by a slight increase in water prices and the impact of the COMPASS cost reduction program.

At Agbar, growth was slightly positive due to the positive impact of increased volumes and prices plus the impact of the cost reduction program which offset the slowdown in works and Chile's smaller contribution due to deflation.

Waste Europe

The Waste Europe segment contributed €349 million to the Group's current operating income in 2010, up €35 million (+11.0%) on 2009.

This growth was essentially organic (€33 million, 10.8%) and the result of a moderate recovery in economic activity reflected in the slight increase in tonnage collected and treated as well as higher prices of secondary raw materials (paper, metals, etc.) compared to 2009, strongly impacting the sorting/recycling business.

Favorable foreign exchange rate movements (pound sterling and Swedish krona) were offset by negative scope effects (disposal of LondonWaste in the UK at the end of 2009 and the full-year contribution of the EVI incinerator in the Netherlands).

Activities in France posted strong organic growth, due mainly to the rise in the cost of recycled raw materials in the sorting/recycling business, the strong performance of hazardous waste incineration and treatment activities and the positive impact of operational optimization measures (COMPASS plan including increasing insourcing of tonnage through a better waste flow management, cost reductions, structural rationalization, etc.).

United Kingdom/Scandinavia activities posted a decline in current operating income, due to the negative scope effect of the disposal of LondonWaste at the end of 2009, and to a deteriorated economic climate generating a reduction in tonnages collected and landfilled, only partially offset by the increase in the price of secondary raw materials and by the impact of the operations optimization plan. This region benefited from a moderately favorable foreign exchange rate impact.

Benelux activities posted higher current operating profit in 2010 than in 2009, due to the full-year contribution of the EVI incinerator in the Netherlands and the rise in prices of secondary raw materials.

In Germany, the growth in current operating income must be seen in the light of increasing exposure to industrial customers, a sector that has seen a more marked economic recovery than in other countries.

International

The International segment contributed €327 million to the Group's current operating income in 2010, up €18 million (5.9%) on 2009.

This increase includes a positive exchange rate impact of €25 million (due mainly to the appreciation of the Australian dollar, US dollar and Indonesian rupee against the euro) partly offset by a negative scope effect (€9 million corresponding to additional amortization relating to the remeasurement at fair value of identifiable assets and liabilities arising from the acquisition of 50% of SITA Waste Services (Hong Kong), since the takeover in the second half of 2009).

Organic growth in current operating income in the International segment was €3 million.

The main contributor to the increase in current operating income was North America. The organic growth was due to an increase in volumes sold (base effect of 2009 which suffered from particularly adverse weather conditions) and price increases won in contract negotiations ("Rate Cases"). Foreign exchange rate impacts were positive.

Degrémont, which benefited from a strong order book, also experienced significant growth.

The contribution of Asia-Pacific to current operating income was steady between 2009 and 2010. Favorable foreign exchange rate movements were offset by negative scope effects (additional amortization linked to the restatement at fair value of SITA Waste Services (see above).

Other

Current operating income was down €6 million from 2009.

EBITDA

In millions of euros	2010	2009	Change	% change
Water Europe	1,035.4	865.5	169.9	19.6%
Waste Europe	839.1	797.7	41.4	5.2%
International	557.8	468.3	89.5	19.1%
Other	(92.9)	(71.6)	(21.3)	30.0%
EBITDA	**2,339.4**	**2,059.9**	**279.5**	**13.6%**

The Group's EBITDA was €2,339 million in 2010, up €279 million (13.6%) on 2009. Excluding foreign exchange rate effects, the increase was 10.5% and organic growth 1.7%.

INCOME FROM OPERATING ACTIVITIES

Analysis of items included in the reconciliation between current operating income and income from operating activities

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

Impairment on property, plant and equipment, intangible and financial assets was stable in 2010 compared to 2009, at -€85 million.

In 2010, the "impairment of property, plant and equipment, intangible assets and financial assets" line mainly involved Waste Europe with an expense of €46 million and Water Europe with an expense of €27 million.

Restructuring costs

In 2010, restructuring represented an expense of €83 million versus €60 million in 2009. They mainly correspond to the cost of implementing the COMPASS program.

Asset disposals and scope effects

Capital gains from asset disposals and scope effects generated income of €364 million in 2010 versus €84 million in 2009. In 2010 these were mainly composed of capital gains on disposals and remeasurement at fair value at Lyonnaise des Eaux (€201 million) as part of unwinding the jointly held water subsidiaries with Veolia-Eau and the takeover of Agbar (remeasurement gain of €167 million) (see Note 5.4 to the consolidated financial statements). In 2009, the two main disposals were LondonWaste and Gas Natural stakes.

Income from operating activities

Income from operating activities in 2010 was €1,221 million, up €354 million on 2009. This improvement was mainly due to the increase in current operating income (up €99 million) and high capital gains on remeasurement at fair value (linked to the application of IFRS 3 Revised) resulting from the takeover of Agbar and the unwinding of the jointly held water subsidiaries with Veolia-Eau.

FINANCIAL INCOME

In millions of euros	2010	2009	Change	% change
Cost of net debt	(387.4)	(285.0)	(102.4)	35.9%
Other financial income and expenses	(26.2)	25.0	(51.2)	(204.8%)
Financial income	**(413.6)**	**(260.0)**	**(153.6)**	**59.1%**

The Group posted a financial loss of €414 million in 2010, a €154 million decline from 2009 due to a higher cost of net debt combined with a deterioration in "Other financial income and expenses" (see Note 6 to the consolidated financial statements).

The increase in the cost of net debt (€387 million versus €285 million in 2009) was mainly due to the increase in average debt over the period combined with an increase in the average cost of debt (4.9% in 2010 versus 4.6% in 2009, a result of the refinancing policy which led to a lengthening in the average maturity of financial debt). To a lesser extent, the movements in the market value of instruments held to hedge the net debt also adversely impacted 2010 financial income.

The €51 million decline in Other financial income and expenses against 2009 was mainly due to the reduction in dividends received and the charge arising from the interest cost on provisions (mainly provisions for site restoration in France and the United Kingdom) being higher than in 2009.

INCOME TAX EXPENSE

Group income tax expense in 2010 was €119 million versus €129 million in 2009. The difference between the Group effective tax rate in 2010 (14.7%) and the prevailing 2010 tax rate in France (34.4%) was due mainly to the non-taxation of the capital gains from the takeover of Agbar and the unwinding of the jointly held water subsidiaries with Veolia-Eau (see Note 2 to the consolidated financial statements), the recognition of additional deferred tax assets (see Note 7 to the consolidated financial statements) and to lower tax rates in the various countries where the Group operates. For the record, this rate was 21.2% in 2009.

NET INCOME, GROUP SHARE

Net income Group share was €565 million, up €162 million (40.1%) on 2009. This improvement is mainly due to the €354 million increase in income from operating activities offset by a €154 million decline in financial income. The remaining difference of -€38 million corresponds to the net effect of a €10 million reduction in tax expense, a €6 million reduction in income from associates, and a €42 million increase in non controlling interests.

9.3 FINANCING AND NET DEBT

9.3.1 CASH FLOWS IN FISCAL YEARS 2010 AND 2009

In millions of euros	Years ended December 31 2010	2009
Cash from/(used in) operating activities	1,889.6	1,605.7
Cash from/(used in) investing activities	(1,315.0)	(1,024.3)
Cash from/(used in) financing activities	(1,476.6)	457.7
Impacts of changes in foreign exchange rates and other	16.8	4.1
TOTAL CASH FLOW FOR THE PERIOD	**(885.2)**	**1,043.2**
Cash and cash equivalents at the beginning of the year	**2,711.7**	**1,668.5**
Cash and cash equivalents at the end of the year	**1,826.5**	**2,711.7**

CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES

Comparison between 2010 and 2009:

			Change	
In millions of euros	2010	2009	€m	In %
EBITDA	**2,339.4**	**2,059.9**	**279.5**	**13.6%**
+ Net disbursements under concession contracts	(251.6)	(226.6)	(25.0)	11.0%
+ Impairment of current assets	(58.2)	(16.0)	(42.2)	263.2%
+ Impact of restructuring operations	(80.0)	(45.7)	(34.3)	74.8%
+ Dividends received from associates	44.3	31.4	12.9	41.3%
- Net allocation to provisions for employee benefits	(9.9)	(5.6)	(4.3)	76.8%
+ Acquisition costs of subsidiaries	(7.2)	-	(7.2)	n.a.
Cash flows generated from operations before income tax and financial expenses	**1,976.7**	**1,797.3**	**179.4**	**10.0%**
Tax paid	(355.6)	(114.9)	(240.7)	209.4%
Change in working capital requirements	268.5	(76.7)	345.2	(450.1%)
Cash flows from/(used in) operating activities	**1,889.6**	**1,605.7**	**283.9**	**17.7%**

Cash flows from/(used in) operating activities amounted to €1,890 million in 2010 and €1,606 million in 2009.

The €284 million increase in cash from/(used in) operating activities over the period primarily stemmed from:

- Growth in cash generated from operations before financial and income tax expenses (€179 million). The sharp rise in EBITDA (up €280 million) was offset by higher net disbursements under concession contracts (€25 million), impairment of current assets (€42 million) and restructuring costs (€34 million);
- Increase in tax paid (€241 million) which mainly reflects the reimbursement of tax prepayments by tax authorities in 2009;
- Sharp increase in working capital requirements in 2010 (up €345 million) in a context of strongly increasing business activity. This arose from more efficient collection of trade receivables and prepayments received at the very end of the year at Degrémont.

CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

Comparison between 2010 and 2009

In millions of euros	2010	2009	Change €m	Change In %
Investments in property, plant and equipment and intangible assets	(1,346.0)	(1,083.3)	(262.7)	24,2%
Financial investments (1)	(587.0)	(330.4)	(256.6)	77,7%
Including: Acquisitions of entities net of cash and cash equivalents acquired	*(490.5)*	*(206.0)*	*(284.5)*	*138,2%*
Including: Acquisitions of available-for-sale securities	*(96.5)*	*(124.4)*	*27.9*	*(22,4%)*
Disposals of tangible and intangible fixed assets	64.6	16.9	47.7	282,2%
Disposals of entities net of cash and cash equivalents sold	565.4	8.2	557.2	6,795.1%
Disposals of available-for-sale securities	2.4	326.7	(324.3)	(99,3%)
Interest received on non-current financial assets	(9.4)	3.8	(13.2)	(347,4%)
Dividends received on non-current financial assets	24.4	39.8	(15.4)	(38,7%)
Change in loans and receivables issued by the Company and others	(29.4)	(6.1)	(23.3)	388,3%
Cash flows from/(used in) investing activities	**(1,315.0)**	**(1,024.3)**	**(290.7)**	**28,4%**

(1) The item "Financial investments" corresponds to the sum of the items "Acquisitions of entities net of cash and cash equivalents acquired" and "Acquisitions of available-for-sale securities". Group financial investments broke down as follows in 2010: €532.0 million for Water Europe (mainly including the takeover of Agbar and the unwinding of the jointly held subsidiaries with Veolia Water France), €20.1 million for Waste Europe, €7.4 million for International, and €27.5 million for Other; the breakdown in 2009 was as follows: €39.2 million for Water Europe, €32.5 million for Waste Europe, -€3.5 million for International, and €262.2 million for Other (mainly the acquisition of 50% of SITA Waste Services and participation in the Gas Natural capital increase).

Cash flows from/(used in) investing activities was -€1,315 million at December 31, 2010 versus -€1,024 million at December 31, 2009. Cash flows from/(used in) investing activities over the period (-€291 million) primarily reflected Investment in property, plant & equipment and intangible assets (-€263 million), Financial investment (-€257 million) and Disposals of available-for-sale securities (-€324 million), offset by an increase in Disposals of entities net of cash and cash equivalents sold (€557 million).

The main financial investments in 2010 were the takeover of Aguas de Barcelona (€666 million relating to the acquisition of Agbar shares held by Criteria less €346 million corresponding to the amount of cash and cash equivalents acquired) and €146 million relating to the entities acquired as part of unwinding the jointly held interests with Veolia Eau in the water business in France.

In 2009, the main financial investments concerned the acquisition of the 50% not yet held in SITA Waste Services (formerly Swire Sita) and the participation in the Gas Natural capital increase.

The main disposals in 2010 were the sale of Adeslas (€331 million corresponding to €687 million sale price less €356 million of cash & cash equivalent disposed), €111 million from the unwinding of the jointly held interests with Veolia Eau in the water business in France (€137 million proceeds less €26 million cash & cash equivalent disposals) and €110 million relating to the sale of LondonWaste in 2009.

In 2009, the principal disposal was the sale of all Gas Natural shares.

Maintenance and development capital expenditure and free cash flow

Within "acquisitions of property, plant and equipment and intangible assets", the Group distinguishes:

- Maintenance capital expenditure, corresponding to investments incurred to renew the equipment and machinery operated by the Group as well as investments made in order to comply with new regulations; and
- Development capital expenditure [1] corresponding to investments incurred to build new machinery or facilities for operations.

The maintenance capital expenditure at 31 December 2010 and 2009 is presented in the following table:

In millions of euros	2010	2009
Total maintenance capital expenditure [a]	(688.5)	(568.8)
Of which maintenance capital expenditure	*(780.7)*	*(583.9)*
Of which change in maintenance asset supplier debt [b]	*92.2*	*15.1*

(a) Total maintenance capital expenditure for 2010 breaks down as follows: €269.5 million for the Water Europe segment, €284.5 million for the Waste Europe segment, €125.5 million for the International segment and €9.0 million for the Other segment. The breakdown was as follows at December 31, 2009: €198.4 million for the Water Europe segment, €255.5 million for the Waste Europe segment, €109.9 million for the International segment and €5.0 million for the Other segment.

(b) Change in trade payables concerning the acquisition of maintenance-related property, plant and equipment and intangible assets.

The Group uses free cash flow as an indicator to measure the generation of liquidity from the Group's existing operations before development investment.

The reconciliation of cash generated from operations before income tax and financial expenses with free cash flow at December 31, 2010 and 2009 is presented in the following table:

In millions of euros	2010	2009
Cash from operations before financial income/(expense) and income tax	1,976.7	1,797.3
Total maintenance capital expenditure	(688.5)	(568.8)
Change in working capital requirement	268.5	(76.7)
Tax paid	(355.6)	(114.9)
Financial interest paid	(378.3)	(217.9)
Financial interest received on cash and cash equivalents	10.2	21.9
Interest received on non-current financial assets	(9.4)	3.8
Dividends received on non-current financial assets	24.4	39.8
Other	4.3	6.7
Free cash flow	**852.3**	**891.2**

The breakdown of free cash flow by segment was as follows in 2010:

- Water Europe segment: €358.9 million
- Waste Europe segment: €358.8 million
- International segment: €272.0 million
- Other segment: -€137.4 million

In 2009, it broke down as follows:

- Water Europe segment: €249.1 million
- Waste Europe segment: €341.4 million
- International segment: €174.3 million
- Other segment: €126.4 million

(1) Total development capital expenditure (€657.5 million in 2010 and €514.5 million in 2009) broke down as follows in 2010: €310.8 million for the Water Europe segment, €206.8 million for the Waste Europe segment and €139.8 million for the International segment. The breakdown in 2009 was as follows: €156.8 million for the Water Europe segment, €207.4 million for the Waste Europe segment and €150.3 million for the International segment.

CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES

Comparison between 2010 and 2009

In millions of euros	2010	2009	Change €m	Change In %
Dividends paid	(456.8)	(431.4)	(25.4)	5.9%
Repayment of debt	(3,949.6)	(1,911.8)	(2,037.8)	106.6%
Reduction in capital paid to non-controlling interests	(141.7)	-	(141.7)	n.a.
Change in financial assets at fair value through income	916.5	(1,084.4)	2,000.9	-184.5%
Financial interest paid	(378.3)	(217.9)	(160.4)	73.6%
Financial interest received on cash and cash equivalents	10.2	21.9	(11.7)	(53.4%)
Increase in borrowings and long-term debt	1,818.9	4,052.9	(2,234.0)	(55.1%)
Increase in share capital	4.3	12.9	(8.6)	(66.7%)
Undated deeply subordinated note issue by SUEZ ENVIRONNEMENT COMPANY	750.0	-	750.0	n.a.
Acquisition and disposal of treasury shares	(41.1)	15.5	(56.6)	(365.2%)
Other	(9.0)	-	(9.0)	n.a.
Cash flows from/(used in) financing activities	**(1,476.6)**	**457.7**	**(1,934.3)**	**(422.6%)**

Net cash from financing activities amounted to -€1,477 million at December 31, 2010, down €1,934 million from December 31, 2009.

In 2010 the Group repaid €3,950 million borrowings (including €1,726 million lines of credit granted by GDF SUEZ). These repayments were made possible by the sale of financial assets in the amount of €917 million (the “Change in financial assets at fair value through income” line mainly corresponding to mutual funds), the €750 million undated deeply subordinated note issue and the €1,819 million increase in borrowings and long-term debt (€500 million of which corresponds to a new bond issue and €412 million to a drawdown on the syndicated credit set up by the Group).

In 2009, the amount in "Increase in borrowings and long-term debt” (€4,053 million) was linked in particular to the refinancing implemented in 2009 (essentially by bond issues) which allowed the Company to repay part of the debt falling due (in particular the repayment of GDF SUEZ Finance current accounts in the amount of €982 million) and subscribed to mutual funds in the amount of €1,078 million (in "Change in financial assets at fair value through income").

9.3.2 NET DEBT

NET DEBT AT DECEMBER 31, 2010 AND 2009

In millions of euros	2010	2009	Change €m	Change in%
Bonds issues	4,924.0	3,794.0	1,130.0	29.8%
Drawdowns on credit facilities	1,072.0	754.0	318.0	42.2%
Borrowings under finance leases	574.7	464.5	110.2	23.7%
Other bank borrowings	1,744.3	2,097.0	(352.7)	(16.8%)
Other borrowings	553.3	1,933.4	(1,380.1)	(71.4%)
TOTAL BORROWINGS	**8,868.3**	**9,042.9**	**(174.6)**	**(1.9%)**
Overdrafts and current accounts	647.5	936.6	(289.1)	(30.9%)
TOTAL OUTSTANDING DEBT	**9,515.8**	**9,979.5**	**(463.7)**	**(4.6%)**
Financial assets measured at fair value through income	(264.7)	(1,141.1)	876.4	(76.8%)
Cash and cash equivalents	(1,826.5)	(2,711.7)	885.2	(32.6%)
TOTAL NET DEBT (EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS AND AMORTIZED COST)	**7,424.6**	**6,126.7**	**1 297,9**	**21,2%**
Impact of derivative financial instruments and amortized cost	101.0	154.8	(53,8)	(34,8%)
NET DEBT	**7,525.6**	**6,281.5**	**1,244,1**	**19,8%**

Net debt at December 31, 2010 was €7,526 million versus €6,282 million at the end of 2009. This €1,244 million increase is mainly due to:

- The friendly takeover of Aguas de Barcelona for €1,354 million corresponding to the net amount incorporating, among other, the increase in Aguas de Barcelona ownership to 75.23%, the sale of Adeslas, the impact of the change in the consolidation method for Agbar (from proportionate to full consolidation) as well as taking over the finance lease for the head office in Barcelona.
- Dividends paid out in the amount of €457 million (of which €317 million paid to SUEZ ENVIRONNEMENT COMPANY shareholders).
- Foreign exchange rate movements (€246 million) and the mark-to-market of hedge instruments (€73 million).
- Offset by the issuance of an undated deeply subordinated note by SUEZ ENVIRONNEMENT COMPANY reflecting a €750 million reduction in debt (this instrument being recognized in shareholders' equity).

Sharp line to line changes are mainly due to:

- €1,130 million increase in bond issues (of which €500 million corresponds to a new bond issued by SEC, the balance corresponding primarily to the change in the scope of consolidation with Agbar) and further drawdowns on cash facilities (€318 million) mainly to repay "Other bank borrowings" (-€353 million) and "Other borrowings" (-€1,380 million).
- The marked decline in financial assets and cash (€1,761 million) corresponds to repayments of borrowings falling due. Liquidity at December 31, 2010 was sufficient to meet medium-term funding needs and was at optimized financing cost.

At December 31, 2010 the Group had unused approved credit facilities of €1,848 million.

9.3.3 RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE is calculated by dividing net operating profit after tax (NOPAT) for the period (see details below) by the opening capital employed adjusted for the scope effects on a *pro rata temporis* basis as well as for material foreign exchange rate effects.

The calculation of NOPAT, capital employed, and return on capital employed for 2010 and 2009 are presented in the following table:

In millions of euros	2010	2009
Current Operating Income	1,024.8	926.0
Share in net income of associates	31.4	37.6
Dividends	24.4	39.8
Interest and income from receivables and current assets	8.7	7.5
Other financial income and expenses	(40.0)	(18.0)
Income tax expense (1)	(139.9)	(232.2)
NOPAT	**909.4**	**760.7**

(1) This increase in tax expense stems essentially from a reduction in financial expenses and the constitution of a provision for tax risk.

In millions of euros	2010	2009
Goodwill (net)	3,069.5	2,897.5
Property, plant and equipment and intangible assets (net)	8,723.7	8,073.0
Available-for-sale securities	447.8	682.5
Investments in associates	322.9	265.6
Provisions	(1,389.0)	(1,328.0)
Impact of material exchange rate fluctuations and scope changes	2,134.8	342.2
Other	(643.3)	(464.7)
CAPITAL EMPLOYED AT JANUARY 1 (1)	**12,666.4**	**10,468.1**

(1) Opening capital employed adjusted for material scope and exchange rate effects.

In millions of euros	NOPAT	Capital employed	ROCE (1)
2010	909.4	12,666.4	7.2%
2009	760.7	10,468.1	7.3%

(1) To be compared to the weighted average cost of capital (WACC) estimated at 6.6% in 2010 (down 0.2% from 2009).

The ROCE by segment broke down as follows:

- In 2010: Water Europe segment: 7.9%, Waste Europe segment: 6.2%, International and Other segments: 7.5%;
- In 2009: Water Europe segment: 9.0%, Waste Europe segment: 5.6%, International and Other segments: 7.9%.

9.4 PROVISIONS

COMPARISON BETWEEN DECEMBER 31, 2010 AND DECEMBER 31, 2009

The movements in provisions between December 31, 2010 and December 31, 2009 are presented in the following table:

			Change	
In millions of euros	**2010**	**2009**	**€m**	**In %**
Pensions and other employee benefit obligations	490.7	442.8	47.9	10.8%
Sector-related risks	103.7	105.0	(1.3)	(1.2%)
Warranties	29.3	41.4	(12.1)	(29.2%)
Disputes, claims and tax risks	266.0	132.7	133.3	100.5%
Site restoration	540.4	490.5	49.9	10.2%
Restructuring costs	54.7	34.6	20.1	58.1%
Other contingencies	171.7	142.0	29.7	20.9%
TOTAL PROVISIONS	**1,656.5**	**1,389.0**	**267.5**	**19.3%**

The principal provisions at December 31, 2010 were the following:

- Provisions for site restoration, which amounted to €540 million in 2010, up €50 million on December 31, 2009, of which €18 million was the impact of interest cost and €12 million the impact of foreign exchange rates. The purpose of these provisions and the methods for calculating them are explained in Note 16.4 to the consolidated financial statements.
- Provisions for pensions and other post-employment and long term benefit obligations which in 2010 were €491 million (for details see Note 17 to the consolidated financial statements), up €48 million on December 31, 2009, of which €18 million was actuarial loss, €14 million foreign exchange rate impact and €12 million scope effect.
- Provisions for other contingencies, which amounted to €172 million in 2010, up €30 million on December 31, 2009 of which €22 million was due to scope effect. "Other contingencies" mainly includes provisions for miscellaneous employee-related and environment-related contingencies and for various business risks.
- Provisions for disputes, claims and tax risks amounted to €266 million in 2010, up €133 million on December 31, 2009, of which €94 million due to the scope effect (see note 16 to the consolidated financial statements);
- Provisions for sector risks, which amounted to €104 million in 2010, relatively steady against December 31, 2009 (€105 million). 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.

9.5 CONTRACTUAL COMMITMENTS

9.5.1 BORROWINGS AND DEBTS

The Group's total gross debt and its repayment schedule at December 31, 2010 is set out in the following table:

In millions of euros	**TOTAL**	**2011**	**2012**	**2013**	**2014**	**Beyond 2014**
Total borrowings	8,868.3	554.6	1,173.9	367.6	1,536.5	5,235.7
Overdrafts and current accounts	647.5	647.5	-	-	-	-
TOTAL OUTSTANDING FINANCIAL DEBT	**9,515.8**	**1,202.1**	**1,173.9**	**367.6**	**1,536.5**	**5,235.7**
Of which GDF SUEZ share	210.0	59.4	6.0	6.0	6.0	132.6

9.5.2 SECURED, PLEDGED AND MORTGAGED ASSETS

Items of property, plant and equipment pledged by the Group to guarantee commitments amounted to €655 million at December 31, 2010 and €135 million at December 31, 2009. This increase was mainly due to a pledge given on the assets of United Water New Jersey to guarantee a loan, with no equivalent at December 31, 2009.

The maturities of these commitments are as follows:

In millions of euros	December 31, 2010	December 31, 2009
2010	-	2.8
2011	528.8	1.1
2012	5.8	1.8
2013	0.6	0.9
2014	1.2	8.7
Beyond	118.9	120.1
TOTAL	**655.3**	**135.4**

9.5.3 FINANCING COMMITMENTS

Financing commitments provided or received by the Group in respect of the fiscal years ended December 31, 2010 and 2009 are presented in the following table:

In millions of euros	December 31, 2010	December 31, 2009
Personal securities provided for borrowings	278.6	752.5
Financing commitments provided	0.0	5.3
TOTAL COMMITMENTS GIVEN	**278.6**	**757.8**
Financing commitments received	1,847.5	1,054.4
Other guarantees received	0.0	13.7
TOTAL COMMITMENTS RECEIVED	**1,847.5**	**1,068.1**

Commitments given and received related to financing mainly concern undrawn confirmed credit facilities (given or received) and borrowings contracted before the statement of financial position date for which the related funds will not be received until the beginning of the following period.

Personal securities cover the repayment of the principal amount and interest on debt if the latter is not recognized as a liability for the Group's financial situation.

9.5.4 CONTRACTUAL COMMITMENTS TO INVEST IN PROPERTY, PLANT AND EQUIPMENT

In the ordinary course of their operations, certain Group companies have also entered into commitments to purchase, and related third parties to deliver, property, plant and equipment. These commitments break down by maturity as follows:

In millions of euros	December 31, 2010	December 31, 2009
2010		263.5
2011	365.0	108.4
2012	147.5	33.6
Beyond	257.8	59.3
TOTAL	**770.3**	**464.8**

This increase in contractual commitments is mainly due 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 €275 million.

9.5.5 OTHER CONTRACTUAL INVESTMENT COMMITMENTS

The Group made various commitments to invest in intangible assets, and to a lesser extent the purchase of equity investments, in the total amount of €323 million at December 31, 2010.

These investment commitments amounted to €540 million at December 31, 2009.

9.5.6 COMMITMENTS RELATED TO FINANCE LEASES

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

The future minimum lease payments under these leases were as follows at December 31, 2010 and 2009:

	Future minimum lease payments at Dec. 31, 2010		Future minimum lease payments at Dec. 31, 2009	
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value
Year 1	83.2	81.7	60.7	59.2
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 MINIMUM FUTURE PAYMENTS	**677.8**	**593.2**	**538.7**	**444.3**

9.5.7 OPERATING LEASES

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

In millions of euros	December 31, 2010	December 31, 2009
Year 1	152.3	115.5
Years 2 to 5 inclusive	338.0	258.1
Beyond year 5	263.6	225.9
TOTAL	**753.9**	**599.5**

9.6 PARENT COMPANY FINANCIAL STATEMENTS

See Section 20.3 of this Reference Document which also includes the position of accounts payable by maturity.

9.7 OUTLOOK

See Section 6.3.4 of this Reference Document.

10 CASH AND SHAREHOLDERS' EQUITY

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10 CASH AND SHAREHOLDERS' EQUITY

10.1 COMPANY SHAREHOLDERS' EQUITY

Total shareholders' equity at December 31, 2010 was €6,627 million, up €2,209 million on December 31, 2009. This change includes in particular dividend payments (-€455 million), translation adjustments (+€198 million), net income for 2010 (+€720 million), the impact of the business combinations generating additional non controlling interests [(1)] (+€1,131 million) and the issue of the undated deeply subordinated note (+€750 million).

Group net debt (including amortized costs and the impact of derivatives) was €7,526 million at December 31, 2010 versus €6,282 million at December 31, 2009. Consequently, the Net Debt/EBITDA ratio increased from 3.05 at December 31, 2009 to 3.22 at December 31, 2010.

10.2 SOURCE AND AMOUNT OF THE ISSUER'S CASH FLOWS AND DESCRIPTION OF CASH FLOWS

10.2.1 CASH FLOWS FROM/USED IN OPERATING ACTIVITIES

Cash generated from operations before financial expenses and income tax

In millions of euros	2010	2009	Gross change in %
Water Europe	774.1	688.0	+12.5%
Waste Europe	791.3	739.1	+7.1%
International	494.8	435.2	+13.7%
Other	(83.5)	(65.0)	+28.4%
TOTAL	**1,976.7**	**1,797.3**	**+10.0%**

Cash generated from operations before financial expenses and income tax totaled €1,976.7 million at December 31, 2010, up 10.0% on 2009.

In total, operating activities generated a cash surplus of €1.9 billion in 2010.

(1) *This change relates mainly to the impact on non-controlling interests of the takeover of the Agbar Group, recognized in accordance with IFRS 3 Revised, reflecting a change in the consolidation method and the recognition of additional non-controlling interests of 24.8% instead of 5.1% See Note 2 on major transactions.*

10.2.2 CASH FLOWS FROM/USED IN INVESTING ACTIVITIES

Investments in 2010 totaled €1.9 billion and included:

- financial investments of €587.0 million (€330.4 million in 2009), including €20.1 million for acquisitions in the Waste Europe segment, €532.0 million for acquisitions in the Water Europe segment, €7.4 million for the International and €27.5 million for the Other segments.

- maintenance capital expenditure of €688.5 million (€568.8 million in 2009), including €269.5 million for the Water Europe segment, €284.5 million for the Waste Europe segment, €125.5 million for the International segment, and €9.0 million for Other;

- development capital expenditure of €657.5 million (€514.5 million in 2009), including €310.8 million for the Water Europe segment, €206.8 million for the Waste Europe segment and €139.9 million for the International segment.

Disposals in 2010 represented €632.4 million versus €351.8 million in 2009. Main disposals in 2010 were the sale of Adeslas (€331 million corresponding to a sale price of €687 million less €356 million of disposed cash), €111 million from the unwinding of jointly held subsidiaries in the Water business in France (sale price of €137 million less €26 million of disposed cash) and €110 million relating to the sale of LondonWaste at the end of 2009.

In total, cash flows from investing activities resulted in a cash outflow of €1.3 billion versus €1.0 billion in 2009.

10.2.3 CASH FLOWS FROM/USED IN FINANCING ACTIVITIES

Dividends paid in 2010 totaled €456.8 [1] million (versus €431.4 million in 2009). They include the dividend paid by SUEZ ENVIRONNEMENT COMPANY to its shareholders, i.e., €317.4 million. They also include dividends in the amount of €139.4 million paid by various subsidiaries to non controlling interests. Net financial interests paid totaled €368.1 million in 2010, versus €196.0 million in 2009.

Total cash flow from financing activities generated a €1.5 billion cash outflow in 2010 versus a €0.5 billion surplus in 2009.

10.3 BORROWING TERMS AND ISSUER'S FINANCING STRUCTURE

10.3.1 DEBT STRUCTURE

Gross debt (excluding amortized cost and the effect of derivatives) at December 31, 2010 was €9,516 million versus €9,980 million at December 31, 2009, and breaks down as follows:

- bonds (largely subscribed by SUEZ ENVIRONNEMENT COMPANY) in the amount of €4,924 million (€3,794 million in 2009);

- bank borrowings in the amount of €2,816 million (€2,851 million in 2009);

- GDF SUEZ financing in the amount of €210 million (€1,939 million in 2009);

- other borrowings and current accounts totaling €1,566 million (€1,396 million in 2009).

Including amortized cost and the impact of derivatives, 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. In 2009, the proportions were 57% euro, 18% US dollar, 7% pound sterling and 7% Chilean peso. The increase in net debt is mainly due to the change in the consolidation method of Agbar following its friendly takeover by SUEZ ENVIRONNEMENT.

56% of gross debt and 69% of net debt (after hedging) is at fixed rates. The Group's 2011 objective is to implement a dynamic distribution between the various rate benchmarks and be able to adapt to the market context. The average cost of debt was 4.9% versus 4.6% in 2009. The average term of debt was 6.2 years at the end of 2010 versus 5.6 years at the end of 2009. A summary of maturities is presented in Section 10.5.1.

(1) The 456.8 million euros above correspond to the dividends paid in 2010, while the 454.7 million euros presented in the consolidated statement of changes in shareholder's equity correspond to the dividends approved by shareholder's in 2010 (see section 20.1).

10.3.2 MAJOR TRANSACTIONS IN 2010

2010 was marked by an ongoing financial policy aimed at reinforcing the financial autonomy of SUEZ ENVIRONNEMENT while being pragmatic and selective in choosing markets and intervention dates.

In the first quarter of the year the Company set up a €1.5 billion 5-year syndicated loan with 11 participating banks. It also restructured or confirmed smaller bilateral lines of credit totaling €330 million maturing in 3 to 5 years with various banking institutions.

On December 17, 2009 the Company's Board of Directors also authorized the renewal of the €5 billion Euro Medium Term Notes program and the use of a €2 billion issuance package. As part of this, SUEZ ENVIRONNEMENT COMPANY issued a €500 million bond with a 12-year maturity, and bearing a fixed coupon of 4.125%.

SUEZ ENVIRONNEMENT also successfully issued €750 million of undated deeply subordinated notes, aside from the EMTN program. These notes are subordinated to any senior creditors and bear an initial fixed coupon of 4.82%. They include a step-up clause for year 10 (September 2020) which increases the coupon by 100 bp. This transaction is in line with SUEZ ENVIRONNEMENT's resource diversification policy and strengthens its financial structure. This issue was approved by the June 25, 2010 Board of Directors.

Lastly, the Group negotiated a €350 million credit facility with GDF SUEZ which will replace the Master Agreement signed on June 5, 2008. This credit facility was approved by the Boards of Directors of both entities on October 27, 2010 and September 15, 2010, respectively.

10.3.3 GROUP RATINGS

SUEZ ENVIRONNEMENT COMPANY has its senior debt rated by Moody's rating agency. On March 4, 2009 its long-term debt was rated A3 and its short-term debt was rated Prime 2. The stable outlook associated with that rating was downgraded on October 27, 2009 following the announcement of the preliminary agreement with Criteria CaixaCorp, regarding a global transaction involving Agbar (see Section 6.5.2.2 for details of this transaction). The long-term debt A3 rating, and short-term debt Prime 2 rating with a negative outlook, were confirmed on June 9, 2010.

Moody's applied the following main adjustments to the Group's net debt:

- addition of funding shortfall on pension liabilities (see Section 20.1 Note 17)
- addition of the present value of future minimum payments on operating leases (see Section 20.1 Note 20).

10.4 RESTRICTIONS ON THE USE OF CAPITAL

As of December 31, 2010, the Group had undrawn confirmed credit facilities (which may be used for such purposes as backup credit facilities for commercial paper programs and treasury bills) totaling €1,848 million.

Some loans contracted by Group subsidiaries or by SUEZ ENVIRONNEMENT COMPANY on behalf of its subsidiaries include clauses requiring specific ratios to be maintained. Such ratios, as well as their levels, are known as financial covenants, and are agreed to with the lenders and may be revised during the term of the loan. The liquidity risk arising from a breach of financing covenants by the Group is described in section 4.1.3.3 of this Reference Document.

In most loans relating to subsidiaries and involving negotiation of financial covenants, the lending banks usually require that the relevant company maintain a minimum level of debt coverage (with respect to the principal amount and interest), which is measured by a ratio called the "DSCR" (debt service cover ratio), or with respect to interest by a ratio called "ISCR" (interest service cover ratio).

With regard to project financing, lending banks may also require that the concerned company maintain an actuarial ratio for debt coverage for the remaining term of the loan, called the "LLCR" (loan life cover ratio). Within the context of other financing, lending banks may also request the relevant company to observe a ratio over a balance sheet item, which generally take the form of a debt over shareholders' equity ratio.

The securitization agreement includes covenants that would only apply in the event that GDF SUEZ lost control over SUEZ ENVIRONNEMENT COMPANY. These covenants therefore do not currently apply and are only communicated to the program manager for information purposes.

The receivables thereby securitized represent less than €300 million, approximately 3% of gross financial debt (excluding bank overdrafts, amortized cost and derivative effect) at December 31, 2010.

The Group has implemented a semi-annual procedure for monitoring its financial covenants consisting in the major subsidiaries' CFOs sending representation letters indicating (i) whether the subsidiary or other legal entities supervised by this subsidiary have, as at the last accounting closing, been in default or potential default situations (situation likely to become a situation of default contingent on decision of the lenders or the expiry of time limits) or (ii) whether default or potential default situations may occur at the next half year closing. These letters of representation are supplemented by an appendix listing the loan agreements, including covenants, types of covenants, and the consequences to the borrower in the event of a breach of such covenants.

10.5 EXPECTED SOURCES OF FINANCING TO MEET THE COMMITMENTS RELATING TO INVESTMENT DECISIONS

10.5.1 CONTRACTUAL COMMITMENTS

The following table shows the gross financial debt schedule at December 31, 2010.

	Amount per period				
	Less than 3 months	**3 months - 1 yr**	**1 - 5 yrs**	**More than 5 yrs**	**TOTAL**
Debt with GDF SUEZ	53.4	6.0	124.0	26.6	210.0
Bond debt or debt subscribed from other institutions	594.1	548.6	3,784.5	4,378.6	9,305.8
TOTAL	**647.5**	**554.6**	**3,908.5**	**4,405.2**	**9,515.8**

10.5.2 EXPECTED SOURCES OF FINANCING

As of December 31, 2010, the Group had available cash totaling €2,226 million (including €265 million in mutual funds held for trading purposes) and unutilized, confirmed credit facilities totaling €1,848 million, of which €257 million will be expiring in 2011.

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

Liquidity at December 31, 2010 is sufficient to cover medium-term cash requirements and the split between available cash and unutilized confirmed credit facilities is optimized to minimize carrying costs.

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11

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11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 RESEARCH AND DEVELOPMENT

Innovation within the Group is a strategic factor in addressing current client expectations by providing differentiated offers, and anticipating future needs by generating growth levers.

A sustained innovation effort also ensures improved and more productive production tools, and therefore contributes to financial profitability. It also contributes to improving environmental performance, whether with regard to climate impact, impact on resources or impact on biodiversity. Research, technological development and expertise are all means the Group applies in order to improve the economic and environmental performance of our operations and the technology changes expected by our clients. In 2010, the Group thus committed €73 million to research, technological development and innovation.

The research and innovation policy is based on the work of experts located in the operating units, research programs developed in the Group's research and development (R&D) centers, and the promotion of a policy of innovation in order, on the one hand, to facilitate the sharing of results and information between researchers and experts, and on the other, to deliver innovative offerings and services to our clients.

In total, over 400 researchers and experts are assigned fulltime to technology research and development at the R&D centers and in the networks of experts. Moreover, to further combine the R&D efforts of the Group's various operating units in the water segments, and to create joint research programs, Lyonnaise des Eaux, Agbar, United Water, Northumbrian Water and SUEZ ENVIRONNEMENT have established the R+i Alliance partnership. R+i Alliance specifically carries out studies on the management of physical assets, odor control, energy efficiency, the dynamic management of rainwater, emerging water-quality terms of reference, the management of water resources, and the management of water demand. In 2010 the R+i Alliance budget totaled €9 million.

Beyond the Group itself, a number of partnerships with public entities (e.g., Cemagref, CNRS, University of Tongji (Shanghai), Tsinghua University (Beijing), University of California, Los Angeles (UCLA)), private operators, as well as skills and innovation networks such as the competitiveness clusters Axelera (environmental chemistry), Vitagora (water taste), Advancity (green technologies and sustainable cities) and more recently DREAM (sustainability of water resources, renewable energy and natural environments) which will address ecotechnologies for the water industry, as well as the Alsace Lorraine Center (continental water quality), and European networks (Water Supply and Sanitation Technology Platform, KIC Climat) allow the Group to leverage its research and development efforts while benefiting from collaborative work with some of the best research teams in the world.

SUEZ ENVIRONNEMENT has also successfully created a new subsidiary Ondeo Systems from an R&D team. This team has developed leading technologies in particular in remote meter-reading, and, in 2010, won major markets including some outside the Group. SUEZ ENVIRONNEMENT does not exclude the possibility of extending this success into other business areas.

Finally, convinced that innovation should not be confined to research and development, the Group has adopted a proactive approach to stimulating, encouraging and financing initiatives and innovative projects in the technical, commercial, and managerial fields by methodically reviewing proposals for various projects submitted by teams in the field.

MAIN R&D PROGRAMS

In addition to the major challenges associated with health and environmental risks, the Group's research and development efforts are aimed at responding to the significant challenges of sustainable development:

- The prevention of climate change is a major challenge to which the Group seeks to respond through its research and development efforts.

In the water and waste sectors, numerous programs are now dedicated to the reduction of greenhouse gases, to energy recovery and to the development of renewable energy potential, in order to satisfy the constantly increasing expectations of our customers in these matters, and to generate substantial productivity gains. Some examples of the research projects and innovations in which the Group is involved include the production of energy from biogas derived from biomass (landfills, sludge treatment) which involves mastering the purification and subsequent cogeneration processes; energy savings in infrastructure operation; increasing energy recovery from incineration plants; the use of renewable energy in treatment processes; heat recovery from sewage (Degrés Bleus); and reduction of greenhouse gases generated by waste collection. As an illustration, in the collection of domestic waste, a garbage bin that compresses its contents (Cyclabelle), pneumatic transport, the development of a fully-electric collection vehicle and the partnership with Renault to develop the Hybris alternative fuel solution are all innovations intended to reduce the problems caused by collection trucks and their greenhouse gas emissions.

Various other research programs have also been launched as part of our "City of Tomorrow" initiative which is fully in line with this strategy, along with a number of partnerships primarily for projects promoted under the "Advancity" (competitiveness cluster) banner.

- Limiting the impact of the Group's activities on resources is another major challenge resulting from sustainable development.

In responding to this challenge, our research, development and innovation efforts range all the way from the recycling of solid waste, reuse of wastewater, optimization of our water networks, to seawater desalination.

In the waste business, the Group has initiated major programs to improve the treatment of solid waste, through the recovery of materials (recycling of plastics, rubber and metals) and organic recovery (compost), which now allow the Group to be a major player in recycling and the recovery of organic matter. 2009 saw the commissioning of a PET bottle recycling division (bottle-to-bottle plant at Limay, France), based on the results of R&D to ensure the quality of recycled products. The analytic experience accumulated by the Water business activity was thus made available to the Waste business activity.

In upstream sorting methods, the Group is working on improving automated sorting techniques, for example, optical bottle sorting, and sorting by flotation for demolition wood or metals. The goal is to reduce the laboriousness of the task and also to increase overall sorting efficiency and thus increase the subsidiaries' recycling yields.

Research efforts are also intensifying on the recycling of materials to meet market expectations. In this case, close coordination with manufacturers is essential. The Group is developing methods for disassembling large equipment such as aircrafts, to facilitate the reuse of parts and the recycling of materials (metals, for example).

In the water activities, Degrémont continues to lead in the area of desalination with the technique known as reverse osmosis, which has now been found to consume far less energy than thermal technology, and therefore better meets requirements linked to climate change. Current work also allows for significantly reducing the environmental impact of this technique, for which the stakes for tomorrow's world are critical, by using renewable energy, and the proper integration of facilities within their environment.

The Group is active in the very large desalination markets (Perth and, most recently, Melbourne), through Degrémont, as well as in smaller freshwater membrane treatment markets, through Ondeo Industrial Solutions.

As regards disinfection to supplement ozonation, the range of UV products developed by Degrémont Technologies has been extended to meet the needs for higher flows. This range of products, sold directly by Degrémont Technologies, but also incorporated into Degrémont's turnkey offerings, tends toward drinking water and urban or industrial wastewater. The development of these oxidation techniques to treat residual micro-pollutants in wastewater is under study.

In general, in the area of industrial wastewater, the Shanghai research center, in collaboration with Shanghai Chemical Industrial Park, is perfecting its expertise in the classification of special effluents and optimizing their treatment, giving Ondeo Industrial Solutions an additional advantage.

With regard to controlling the impact on water resources, major work is currently being carried out to increase the technical yields of drinking water networks and to reduce leakage in order to avoid wasting water resources. This program also addresses the challenges of replacing infrastructures, whether this involves drinking water lines or municipal sewage networks. Indeed, it is critical to determine their remaining useful life based on local conditions, age and the specificity of the material, in order to implement a "sustainable maintenance" policy for underground assets. The significant results obtained will bring changes to the Group's internal specifications for various products, and facilitate the implementation of best practices. The program is focused on three major themes: the identification of assets, the management and maintenance of these assets, and investment projections, which includes investment optimization by identifying the technologies and materials increasing their service life and the sizeable savings in the long term.

Work is also being carried out within the context of the R+i Alliance program by the Agbar Cetaqua technology center, on the use of water table restoration techniques to eliminate certain emerging compounds.

Finally, an innovative program for the real-time tracking of consumption has also been launched (Aviz'eau). The objective is to develop tools to control consumers' water consumption, while getting better general knowledge on networks flows in order to optimize them.

- More broadly, the Group's research and development efforts are centered on controlling the impact on the environment.

SUEZ ENVIRONNEMENT has combined nine operating units (Lyonnaise des Eaux, SITA France, SITA FD, Agbar, Degrémont, Fairtec, Terralys, United Water, Ondeo Industrial Solutions) around a major program to control odor pollution in areas adjacent to its wastewater and waste facilities.

The Group now controls the measurement and modeling of odor dispersal, it has identified emissions from numerous sources and has finally developed the means of addressing them. An odor laboratory has been set up to analyze odors and train personnel and residents in the vicinity of the Group's operations. All these efforts are intended to design suitable new odor-removal facilities and, in case of crisis, to take corrective actions in collaboration with local residents.

A significant program aimed at the forecasting and real-time monitoring of rain water was initiated in 2006. The objective is to limit disruption caused by storm floodwater in the case of environmental directives applied to river water, and to provide new services to local authorities within the framework of stricter law and regulatory constraints on swimming water. The program has developed real-time predictive, warning and optimization tools, appropriate for rainwater networks, by focusing on water quality, the effectiveness of treatment lines, and quantity measurements. Several Group products are commercially available to large cities.

- Health and environmental risks

Finally, true to its tradition, the Group is continuing to invest significantly in health monitoring programs related to the quality of drinking water, in order to guarantee perfect food quality of water distributed to its consumers' taps. SUEZ ENVIRONNEMENT has one of the best laboratories in the world in this area. This allows the Group to participate alongside the French and world health authorities in the ongoing analysis and examination of the reality of emerging pollution risks, any pathogen effects, and the adaptation of technologies to eliminate these pollutants in current or new treatment systems. It is also now recognized for its selection and optimal integration of membrane technologies in major applications.

In 2011, the Group intends to pursue its innovation strategy by boosting its efforts to improve its environmental performance, by developing industrial partnerships to incorporate external technology, and partnerships with highly innovative start-ups. In order to achieve maximum effect in this business ecosystem, SUEZ ENVIRONNEMENT in 2010 set aside an Innovation Investment Fund for new technologies in water and waste called Blue Orange, which is set to take off 2011.

11.2 TRADEMARKS, PATENTS AND LICENSES

The Group takes the development and protection of its intellectual property assets, its trademarks, and especially its patents seriously. Indeed the Group believes that those assets offer added value to the services it provides to its clients. The Group's intellectual protection activity is carried out by a central unit based at Degrémont.

11.2.1 PATENTS

The Group's patents portfolio represents 239 families of patents.

In 2010 the Group filed 19 new patents, almost as much as in 2009, maintaining a forceful pace. The Group filed 23 patents in 2008 and 14 in 2007.

Patents are filed in the name of SUEZ ENVIRONNEMENT, as well as in the name of its subsidiaries such as Degrémont, Lyonnaise des Eaux France, SITA France and Safege. They cover all water and waste activities.

In general, patents are filed in the country of origin, are then available upon request under the Patent Cooperation Treaty to receive extended coverage under other national patent laws.

The Group holds approximately 2,000 national patents, registered in over 70 countries.

There are a number of potential sources of patentable inventions; they may result from:

- the Group's research centers, as would be expected; or
- shared research efforts of the Group (such as the R+i Alliance, etc.);
- one-off collaborations with partners (e.g., universities and laboratories, etc.); or
- operating subsidiaries (the initial filing is generally performed by the subsidiary; extensions are then carried out by the Group after assignment).

These patents protect products, e.g., a biological reactor for the treatment of wastewater or a domestic waste bin that compacts waste. They also protect processes, e.g., the treatment of water for small local authorities based on reed beds or the treatment of rainwater for large urban areas. Protection of plant operation techniques or services is important: numerous patents have therefore been registered for sensors, regulations, or operational optimization.

In the environmental sector, where competition is tough, the protection offered by patent law is vital, ensuring we obtain long-term benefit from research and development innovations. Nevertheless, a large portion of know-how remains protected by confidentiality.

Procedures for reviewing patents have been established based on the activities they cover, so only those patents that cover an existing market are selected.

This rich and varied portfolio of patents represents a significant and reliable intangible asset.

11.2.2 TRADEMARKS

As of December 31, 2010, SUEZ ENVIRONNEMENT was managing a portfolio of approximately 500 trademarks.

As regards the institutional trademarks held by SUEZ ENVIRONNEMENT and its subsidiaries, the most prominent in the water sector are: "Ondeo", "Ondeo Industrial Solutions", "Degrémont" and "Safege"; and in the waste sector, the institutional trademark "SITA". The "SITA" name is also often combined with the corporate names of companies involved in the waste sector.

"Lyonnaise des Eaux" is the historic trademark in water-related activities. It has been registered in various forms both as a trade name and as a semi-abstract trademark in Europe and throughout most parts of the world for nine classes, eight of which represent service classes.

Finally, the "SUEZ ENVIRONNEMENT" trademark and its English version, "SUEZ ENVIRONMENT", were filed in France in March 2005 and received international registration in August 2005.

Included in the trademarks representing the Group's products is "Pulsator," which survived the eponymous patent and which is now no longer protected. This trademark corresponds to a water-treatment product sold for over 50 years. Along these same lines, we also note the French trademark "Aquasource", which designates the ultrafiltration membranes used in drinking water treatment units.

The Group filed 27 new trademarks in 2010 (1 by SUEZ ENVIRONNEMENT, 14 by Lyonnaise des Eaux, 7 by Degrémont, 1 by Ondeo IS, 2 by R+i Alliance, 2 by SITA) among which were Eaux Du Mont-Blanc, Ciclope, Geobain, Terre De Seine, Biomix, Blue Orange, La Sequanaise And Oxyblue.

Further, the Group has registered a large number of domain names (specifically, suez-environnement.fr, suez-environnement.eu and suez-environnement.com).

Within the context of the spin-off/distribution transaction, SUEZ and SUEZ ENVIRONNEMENT have entered into a trademark licensing agreement, as described in Section 19.

12 INFORMATION ON TRENDS

The major trends that have affected the Group's activities since the close of the latest fiscal year are described in Sections 6 and 9 of this Reference Document.

13 PROFIT FORECASTS OR ESTIMATES

In a gradually improving economic environment, the Group has set the following objectives for 2011: a growth in total revenue equal to, or greater than, 5% compared with 2010, at constant exchange rates; a growth in EBITDA of 10% or more compared with 2010 at constant exchange rates; a Net Result Group share over €425 million euros. The Group also aims at generating in 2011 a free cash flow greater than, or equal to, the 2010 free cash flow; it will also maintain its selectivity for its investments choice. Lastly, the Group targets a Net Financial Debt / EBITDA ratio of around 3 times at the end of 2011, one year in advance compared to the previously announced objectives.

The description of the change in the economic and financial environment and assumptions applied by the Group appears in Section 6.3.4 of this Reference Document.

14

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

CONTENTS

14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

14.1 COMPOSITION AND FUNCTIONING OF THE MANAGEMENT AND SUPERVISORY BODIES

The Company is a French corporation, société anonyme, with a Board of Directors. A summary description of the main provisions of the bylaws and internal rules for the Board of Directors, particularly its functioning methods and its powers, is provided in Section 21.2, "Corporate charter and bylaws". The Group's governance, the composition of the Board of Directors and of its Committees, their organization and their work are detailled in the Report of the Chairman of the Board of Directors that has been prepared in accordance with article L.225-37 of the French Commercial Code, and presented in appendix A of this Reference Document.

There are no family connections between the members of the Board of Directors and the Company's other senior management.

To the Company's knowledge, no members of the Board of Directors, nor any corporate officer, have been convicted of fraud during the past five years; acted as manager in a bankruptcy, receivership or liquidation, nor have had any criminal proceedings and/or official public sanction made by any judicial or regulatory authority; nor have any been forbidden by a court to act as a member of an administrative body, management body or supervisory body of an issuer or to intervene in the management or supervision of affairs of an issuer in the past five years.

14.1.1 BOARD OF DIRECTORS

The following table, updated as of December 31, 2010, shows the composition of the Company's Board of Directors and the terms of office and positions of the Company's Directors over the past five years.

Name	Title	Age	Other titles and positions over the past five years
Gérard Mestrallet [i]	**Chairman of the Board of Directors**	**62 yrs**	**Titles and positions held:**
GDF SUEZ Tour T1 1 place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense, France			Chairman and Chief Executive Officer of GDF SUEZ Chairman of the Board of Directors of GDF SUEZ Energie Services, SUEZ-Tractebel (Belgium) Vice Chairman of the Board of Directors of Electrabel (Belgium), and Aguas de Barcelona (Spain) Director of Saint-Gobain, Pargesa Holding SA (Switzerland) Director of International Power (United Kingdom) since February 3, 2011
			Titles and positions expired over the past five years:
			Chairman and Chief Executive Officer of SUEZ Chairman of the Board of Directors of SUEZ ENVIRONNEMENT, Electrabel (Belgium) Vice Chairman of the Board of Directors of Hisusa (Spain) Chairman of the Board of Directors of Hisusa (Spain) (until June 7, 2010) Member of the Supervisory Boards of Taittinger and Axa

(i) Director appointed on the proposal of GDF SUEZ.

Name	Title	Age	Other titles and positions over the past five years
Jean-Louis Chaussade (i) SUEZ ENVIRONNEMENT Tour CB21 16 place de l'Iris 92040 Paris La Défense, France	**Director and Chief Executive Officer**	**59 yrs**	**Titles and positions held:** Permanent Representative of SUEZ ENVIRONNEMENT España to the Board of Directors of Aguas de Barcelona (Spain) Chairman of the Boards of Directors of Lyonnaise des Eaux France, SITA France and Hisusa (Spain) (since June 7, 2010) Director of SITA France, ACEA (Italy), Sino French Holdings (China), SUEZ ENVIRONNEMENT España (Spain), Culture Espaces, Lyonnaise des Eaux France. Member of the Executive Committee of GDF SUEZ **Titles and positions expired over the past five years:** Chairman, CEO and Director of SUEZ ENVIRONNEMENT from October 28, 2008 to December 18, 2008 Chairman of the Boards of Directors of Ondeo Degrémont North America (USA), Degrémont SA (resigned October 14, 2009), Terralys (resigned December 14, 2009) Chairman of the Board of Directors and of the Board of the Association des Amis de l'Université Française d'Egypte (U.F.E) until September 29, 2010 Director of United Water Inc. (USA), United Water Resources (USA), Aguas de Barcelona (Spain) (until May 5, 2009), Société des Eaux de Marseille (SEM) (until March 22, 2010), Inversiones Aguas Metropolitanas (Chile) (resigned November 27, 2008) Permanent Representative of SUEZ ENVIRONNEMENT España to the Board of Directors of Hisusa (Spain) (until June 7, 2010), Swire SITA Waste Services Ltd (now SITA Waste Services Ltd) (until March 26, 2010)
Dirk Beeuwsaert (i) GDF SUEZ 1 place du Trône 1000 Brussels Belgium	**Director** Resigned on March 17, 2011	**64 yrs**	**Titles and positions held:** Chairman of the Board of Directors of Calypso Bahamas Pipeline Ltd. (Cayman Islands) Chairman of Celizan (France) Chairman of GDF SUEZ Energy North America, Inc. (U.S.A.) Executive Vice-President of GDF SUEZ S.A. (France) Executive Vice President in charge of the Energy Europe & International business line of GDF SUEZ (France) Member of the Management Committee and Executive Committee of GDF SUEZ Member of the Strategy Committee of Tractebel Energia S.A. (Brazil) Permanent Representative of GDF SUEZ at the Board of Directors of International Power (United Kingdom) since February 3, 2011 Executive Director of SUEZ-Tractebel S.A. (Belgium) Director of Electrabel (Belgium) Director of Glow Company Limited (Thailand) As well as several other positions within the subsidiaries of GDF SUEZ **Titles and positions expired over the past five years:** Vice Chairman of Blue Marlin LNG Terminal Limited (Bahamas) Vice Chairman of GDF SUEZ Energy Generation North America, Inc. (U.S.A.) Vice Chairman of GDF SUEZ Energy Development North America, Inc. (U.S.A.) Director of Operation Power Services Company Limited (Thailand) As well as several other positions within the subsidiaries of GDF SUEZ
Valérie Bernis (i) GDF SUEZ Tour T1 1 place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense, France	**Director**	**52 yrs**	**Titles and positions held:** Director of Société Monégasque de l'Électricité et du Gaz (Monaco) Member of the Supervisory Board of Eurodisney SCA Member of the Board of Directors of Bull Member of the Board of Directors of SERNA – Suez Energy Resources NA Representative of GDF SUEZ to the Board of Directors of the Endowment Fund of the 104 "Les Mécènes du CENTQUATRE" (City of Paris artistic establishment) Member of the Executive Committee of GDF SUEZ, in charge of Communications, Financial Communications and Public Affairs

(i) Director appointed on the proposal of GDF SUEZ.

Name	Title	Age	Other titles and positions over the past five years
			Titles and positions expired over the past five years: Chairman and CEO of Paris Première Director of Société Générale de Belgique Member of the Supervisory Board of Métropole Télévision Permanent Representative of SUEZ Nov Invest and SUEZ Communication to the Board of Directors of Investissements Presse Permanent Representative of Lamiran to the Supervisory Board of Investissements Presse de Libération Director of Storengy Director of SUEZ-Tractebel (Belgium)
Alain Chaigneau [i] GDF SUEZ Tour T1 1 place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense, France	**Director**	**59 yrs**	**Titles and positions held:** Member of the Executive Committee of GDF SUEZ, in charge of Business Strategy and Sustainable Development Director of GDF SUEZ Energy Services, Electrabel (Belgium), GDF SUEZ CC (Belgium), and the GDF SUEZ Foundation Chairman of the Board of Directors of Storengy Member of the Supervisory Board of Compagnie Nationale du Rhône **Titles and positions expired over the past five years:** Chief Operating Officer of SUEZ ENVIRONNEMENT Chairman of Aguas Argentinas (Argentina) Director of Degrémont SA, Lyonnaise des Eaux France, Sino French Holdings (China), SUEZ ENVIRONNEMENT UK Ltd (United Kingdom), SUEZ ENVIRONNEMENT España (Spain), United Water Inc., United Water Resources Inc., SUEZ ENVIRONNEMENT North America Inc. (USA) (resigned January 4, 2010), SUEZ-Tractebel (Belgium) Executive Director of Desarrollos Hidraulicos de Cancun (Mexico), Aguakan (Mexico)
Jean-François Cirelli [i] GDF SUEZ Tour T1 1 place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense, France	**Director**	**52 yrs**	**Titles and positions held:** Chairman of the Board of Directors of Electrabel (Belgium) Vice-Chairman and President of GDF SUEZ Director of GDF SUEZ Energie Services, SUEZ-Tractebel (Belgium) Member of the Supervisory Board of Vallourec Chairman of Eurogas Chairman of Gaselys Director of International Power (United Kingdom) since February 3, 2011 **Titles and positions expired over the past five years:** Chairman and CEO of Gaz de France Chairman of the Gaz de France Foundation Director of Neuf Cegetel, Member of the Supervisory Board of Atos Origin
Gérard Lamarche [i] GDF SUEZ Tour T1 1 place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense, France	**Director**	**49 yrs**	**Titles and positions held:** Director of Aguas de Barcelona (Spain) Director of Electrabel (Belgium) Director of GDF SUEZ Energie Services Director of Legrand Director of Suez-Tractebel (Belgium) Director of Europalia International (Belgium) Executive Vice-President, Chief Financial Officer of GDF SUEZ Member of the Management Committee and Executive Committee of GDF SUEZ Director of International Power (United Kingdom) since February 3, 2011 **Titles and positions expired over the past five years:** Director of KKR Guernsey GP Limited (USA) (resigned January 2009) Chairman of the Board of Directors and Director of Cosutrel (Belgium) Chairman of the Board of Directors and Director of Genfina (Belgium) Director of BNP Paribas Fortis (Belgium) Chairman of the Audit Committee of Legrand

(i) Director appointed on the proposal of GDF SUEZ.

Name	Title	Age	Other titles and positions over the past five years
Patrick Ouart (i) LVMH 22 avenue Montaigne 75008 Paris, France	**Director**	**51 yrs**	**Titles and positions held:** Member of the Executive Committee of LVMH Advisor to the Chairman of the LVMH Group **Titles and positions expired over the past five years:** Advisor to the President of the French Republic
Jérôme Tolot (i) GDF SUEZ ENERGIE SERVICES Tour Voltaire 1 place des Degrés 92059 Paris La Défense cedex, France	**Director**	**59 yrs**	**Titles and positions held:** Director of Axima Seitha Director of Cofely Nederland Chairman and Executive Director of GDF SUEZ Energy Services International Member of the Supervisory Board of Savelys Chairman and Director of Tractebel Engineering CEO of GDF SUEZ Energy Services Chairman of the Board of Directors of Fabricom (Belgium) Director of Société Monégasque de l'Électricité et du Gaz (Monaco), Director of GDF SUEZ University, GDF SUEZ Energy Services, Cofely East London Energy Limited, Cofely Italia, GDF SUEZ Energy Services España, and INEO Member of the Executive Committee of GDF SUEZ, in charge of the Energy Services business line Permanent Representative of GDF SUEZ to the Board of Directors of Compagnie Parisienne de Chauffage urbain - CPCU **Titles and positions expired over the past five years:** Director of Degrémont, Lyonnaise des Eaux France, SITA France, Axima (up to March 31, 2008), GTI (The Netherlands), SUEZ Energy Services España (Spain), Chairman of COFATHEC (from July 23, 2008 – end of term February 3, 2009) Chairman of the Board of Directors of Fabricom GTI (Belgium) Executive Director of Fabricom
Olivier Pirotte (ii) GBL Avenue Marnix, 24 1000 Brussels Belgium	**Director**	**44 yrs**	**Titles and positions held:** Director of Equity Interests and Investments of Groupe Bruxelles Lambert (Belgium). Director and Member of the Strategy Committee of Imerys (France) Director and Chairman of the Audit Committee of Electrabel S.A. (Belgium) Director of GBL Treasury Center S.A. (Belgium), Brussels Securities S.A. (Belgium), Belgian Securities BV (The Netherlands), Ergon Capital Partners (Belgium), Manager of GBL Energy S.à.r.l. (Luxembourg) and GBL Verwaltung S.à.r.l. (Luxembourg). Member of the Investment Committee of Sagard Equity Partners (France). **Titles and positions expired over the past five years:** Director of RTL-TVI S.A. and SN Airholding S.A. (Belgium)
Amaury de Sèze (ii) POWER CORPORATION CANADA 1 Rond Point des Champs Elysées 75008 Paris, France	**Director**	**65 yrs**	**Titles and positions held:** Chairman of the Board of Directors of Carrefour SA Vice-Chairman of Power Corporation du Canada (Canada) Director of Groupe Industriel Marcel Dassault SA, BW Group, Groupe Bruxelles Lambert (Belgium), Erbe SA (Belgium) and Pargesa Holding S.A. (Switzerland), Imerys, Thales SA Chairman of the Supervisory Board of PAI Partners SAS Member of the Publicis Groupe Supervisory Board

(i) Director appointed on the proposal of GDF SUEZ.

(ii) Director appointed on the proposal of Groupe Bruxelles Lambert.

Name	Title	Age	Other titles and positions over the past five years
			Titles and positions expired over the past five years: Chairman of the Supervisory Board of PAI Partners SAS, PAI Partners UK Ltd, Financière PAI SAS, Financière PAI Partners SAS, Advisor to Cobepa SA Vice-Chairman of the Supervisory Board of Carrefour SA Director of Eiffage, PAI Europe III General Partner NC, PAI Europe III UK General Partner Ltd, PAI Europe IV General Partner NC, PAI Europe IV UK General Partner Ltd, PAI Europe V General Partner NC, PAI Partners Srl, Saeco SpA, Power Corporation du Canada, Gepeco SA, Novalis SAS, Novasaur SAS, Vivarte SA, Carrefour SA Representative of NHG SAS Member of the Supervisory Board of Gras Savoye SCA
Gérald Arbola (i) AREVA 33 rue Lafayette 75009 Paris, France	**Director**	**62 yrs**	**Titles and positions held:** Chairman and CEO of FT1CI Chairman of the Areva Foundation Chief Operating Officer of Areva Member of the Management Board of Areva Vice-Chairman of the Supervisory Board of STMicroelectronics NV Director of CEA Director of Areva NC and Areva T&D Member of the Management Committee of Areva NP **Titles and positions expired over the past five years:** Chairman of Areva Finance/Gestion Chairman of Cogerap Chairman of the Supervisory Board of STMicroelectronics Holding NV Director of Assystem Director of Areva NP
Gilles Benoist (ii) CNP Assurances 4 place Raoul Dautry 75015 Paris, France	**Director**	**64 yrs**	**Titles and positions held:** Chairman of the Fédération française des sociétés anonymes d'assurance Director and CEO of CNP Assurances Director of Dexia, Sino French Life Insurance, Caixa Seguros and CNP UniCredit Vita Member of the Management Committee of the Caisse des Dépôts Group, Member of the Supervisory Board of Compagnie Internationale André Trigano Permanent Representative of CNP Assurances to the Board of Directors of CNP Caution Representative of CNP Assurances, manager of CNP Immobilier, Compagnie immobilière de la CNP-CIMO, 83 avenue Bosquet, Ilôt A5B, Issy Desmoulins, Le Sextant, Rueil Newton, Société Civile du 136 rue de Rennes, Société Civile Immobilière l'Amiral, Société Civile Immobilière Montagne de la Fage, Société Civile Immobilière Parvis Belvédère, Société Civile Immobilière de la CNP, Société Foncière de la CNP, Société Immobilière de Construction et d'Acquisition de la CNP and Vendôme Europe Permanent Representative of CNP Assurances, Chairman of 83 avenue Bosquet and Pyramides 1 **Titles and positions expired over the past five years:** Chairman of the Management Board of CNP Assurances Member of the Supervisory Board of CDC IXIS Permanent Representative of CNP Assurances to the Supervisory Board of Gimar Finance
Harold Boël (iii) SOFINA Rue de l'Industrie, 31 1040 Brussels Belgium	**Director**	**46 yrs**	**Titles and positions held:** Director of Union Financière Boël, Sodavi, Domanoy, United World Colleges Belgium, asbl, François Charles Oberthur Fiduciaire, Oberthur Technologies, Electrabel S.A. Observer at Biomérieux Executive Director of Sofina and Henex

(i) Director appointed on the proposal of Areva.

(ii) Director appointed on the proposal of CNP Assurances.

(iii) Director appointed on the proposal of Sofina.

Name	Title	Age	Other titles and positions over the past five years
			Titles and positions expired over the past five years: Director of BMF Participation S.A. (resigned November 1, 2008), Finasucre (not renewed on July 31, 2009).
Nicolas Bazire (i) Groupe Arnault 22 avenue Montaigne 75008 Paris, France	**Director**	**53 yrs**	**Titles and positions held:** CEO of Groupe Arnault SAS Member of the Supervisory Board of Rothschild and Cie Banque SCS, Director of Carrefour, Les Echos, LVMH Fashion Group, LVMH Moët Hennessy-Louis Vuitton, Atos Origin **Titles and positions expired over the past five years:** Chairman of the Supervisory Board of LVMH Fashion Group Director of IPSOS
Lorenz d'Este (i) COBEPA Rue de la Chancellerie, 2 1000 Brussels Belgium	**Director**	**55 yrs**	**Titles and positions held:** Managing Partner of E.Gutzwiller & Cie Advisor of the General Management of BNP Paribas **Titles and positions expired over the past five years:** Director of SITA SA Director of Union Chimique Belge (UCB) (April 2010)
Guillaume Pepy (i) SNCF 34 rue du Commandant Mouchotte 75014 Paris, France	**Director**	**52 yrs**	**Titles and positions held:** Chairman and CEO of the SNCF (French Railways) **Titles and positions expired over the past five years:** Chairman of Eurostar (up to December 31, 2009) Director of SNCF, Groupe Keolis (up to December 31, 2009), Eurostar Group Ltd, Eurostar UK Ltd and ICRRL Ltd (up to December 31, 2009), Director of Voyages-sncf.com, Wanadoo and Financière Keos
Ezra Suleiman (i) Department of Politics Corwin Hall–Princeton University NJ- 08544 -USA	**Director**	**69 yrs**	**Titles and positions held:** Director of AXA Financial, Inc. (USA), AXA Equitable Life Insurance Company of America (USA), Mony Life Insurance Company of America (USA) and AXA Groupe **Titles and positions expired over the past five years:** Associate Professor at the Institut d'Études Politiques (Paris)

(i) Independent Director.

Following the combination between International Power and the Energy International activities of GDF SUEZ, Gérard Mestrallet, Jean-François Cirelli and Gérard Lamarche have been appointed Directors of International Power on February 3, 2011. Dirk Beeuwsaert has been appointed simultaneously permanent representative of GDF SUEZ, Director of International Power.

Following the resignation of Mr. Angel Simón Grimaldos on January 8, 2010, the Board of Directors coopted Patrick Ouart as director on January 14, 2010. This cooptation was ratified by the Company's General Meeting on May 20, 2010.

The Board of Directors, during its meeting of March 17, 2011, has formally noted the resignation of Dirk Beeuwsaert as Director and, to replace him, has co-opted Mrs Penelope Chalmers Small, on the proposal of GDF SUEZ in accordance with the shareholders agreement of June 5, 2008. This cooptation will be proposed for ratification at the General Meeting of May 19, 2011.

Gérard Mestrallet, born April 1, 1949, French, is a graduate of Ecole Polytechnique and Ecole Nationale d'Administration. Mr. Mestrallet joined Compagnie Financière de SUEZ in 1984, as a project manager. In 1986, he was appointed Executive Vice-President for industrial affairs. In February 1991, Mr. Mestrallet was appointed Deputy Director and Chairman of the Management Committee of Société Générale de Belgique. In 1995, he became Chairman and Chief Executive Officer of Compagnie de SUEZ, then, in June 1997, Chairman of the Management Board of SUEZ Lyonnaise des Eaux. On May 4, 2001, Mr. Mestrallet was appointed Chairman and Chief Executive Officer of SUEZ, a position he held until he became Chairman and Chief Executive Officer of GDF SUEZ when SUEZ merged with Gaz de France on July 22, 2008. He is also the President of Association Paris EUROPLACE.

Jean-Louis Chaussade, born December 2, 1951, French, has an engineering degree from ESTP (1976) and holds a Master's degree in Economics (Sorbonne, 1976). He is also a graduate of Institut d'Etudes Politiques de Paris (1980) and of AMP at Harvard Business School (1988). He first joined Degrémont in 1978 and was then appointed Chief Operating Officer of Degrémont Spain in Bilbao in 1989. During this period he was appointed Director of Aguas de Barcelona. Mr. Chaussade was also appointed Chief Executive Officer of Dumez Copisa Spain in 1992. In 1997, he was appointed Chief Operating Officer of Lyonnaise des Eaux in South America and Chief Operating Officer of SUEZ for South America. He was appointed Chairman and Chief Executive Officer of Degrémont in 2000 and, in 2004, Executive Vice-President of SUEZ and Chief Executive Officer of SUEZ ENVIRONNEMENT. Mr. Chaussade is also Chairman of the Boards of Directors of Lyonnaise des Eaux (France) and SITA France. He has been Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY since July 23, 2008.

Dirk Beeuwsaert, born January 14, 1948, Belgian, received a degree in electromechanical engineering from Gand University in 1971. In 1987, he studied general management at CEDEP/INSEAD in Fontainebleau, France. Mr. Beeuwsaert began his career in 1971 at Intercom. He held several supervisory and management positions at the company's electric power plants. When Electrabel was created in 1990, he became Director of conventional energy production. In 1994, Mr. Beeuwsaert was appointed Director of the entire Production Department. He was also appointed to the Management Committee of Electrabel and appointed Chairman of the Board of Directors of Laborelec and Recybel. He became CEO of Tractebel EGI (SUEZ Energy International) and a member of the Executive Management Committee of Tractebel in 2000. Mr. Beeuwsaert was appointed Executive Vice-President in charge of SUEZ Energy International in 2003 and member of the Executive Committee of SUEZ. He was appointed CEO and Executive Director of SUEZ-Tractebel SA as well as a Director of Electrabel SA on January 30, 2007. On March 5, 2009, Mr. Beeuwsaert took over the Europe and International Energy Division of GDF SUEZ and was appointed Executive Vice-President, in charge of the Energy Europe and International business line and a member of the Management Committee of GDF SUEZ. He also remains a member of the Executive Committee of GDF SUEZ and is still the Head of the International Energy Division of GDF SUEZ. On March 9, 2011, he resigned from his position of Director of SUEZ ENVIRONNEMENT COMPANY, effective at the end of the Board of Directors meeting of March 17, 2011.

Valérie Bernis, born December 9, 1958, French. A graduate from Institut Supérieur de Gestion and Université des Sciences Economiques in Limoges, Mrs Bernis has been a member of the Office of the French Minister of Economics, Finance and Privatization (1986-88), and Press and Communication Officer for the French Prime Minister (1993-95). Then Executive Vice-President of the SUEZ Group, in charge of Communication, Financial Communication and Sustainable Development and member of the Executive Committee of SUEZ, Ms. Bernis has been a member of the Executive Committee of GDF SUEZ since July 22, 2008, in charge of Communication, Financial Communication and Public affairs. Valérie Bernis is also in charge for the President of GDF SUEZ of evaluating the status of women at work and of developing a plan of action.

Alain Chaigneau, born September 8, 1951, French, holds a Master's degree in Economic Sciences and is a graduate of IAE in Paris. After beginning his career at Banque de France and moving into the Treasury Department (French Ministry of Finance), he joined Compagnie Financière de SUEZ in 1984 as deputy Director. In 1989, he was appointed Head of Planning and Strategy. He was a Director of Société Générale de Belgique from 1991 to 1995, where he became Chief Financial Officer and a member of the Management Committee in 1995. From 1999 to 2003, he was Executive Vice-President for Finance and Administration of Ondeo Services. In 2003, Mr. Chaigneau was appointed Chief Operating Officer for Finance and Administration of SUEZ ENVIRONNEMENT; in 2005, he was appointed Chief Operating Officer for the Americas. In January 2007, he became Executive Vice-President for Strategy and a member of the Executive Committee of SUEZ. He has been a member of the Executive Committee of GDF SUEZ since July 22, 2008, in charge of Business Strategy and Sustainable Development.

Penelope Chalmers Small, born May 29, 1966, British. A graduate of Oxford University in Mathematics, Penelope Chalmers Small began her career as a financial analyst and then as a business analyst at BP. She joined later British Gas (BG) as Business Development Manager for Central and Eastern Europe and Russia, and later as Business Manager for « Power Generation ». In 1997, she joined International Power as Business Development Manager, then Asset Manager and Head of Global Resources, responsible for Group human resources, information technology and corporate communications. Since February 2011, she is Head of Strategy and Communications.

Jean-François Cirelli, born July 9, 1958, French, is a graduate of Institut d'Etudes Politiques de Paris and of Ecole Nationale d'Administration; he also has a law degree. From 1985 to 1995, Mr. Cirelli held management positions at the Treasury department of the Ministry of Economy and Finance before becoming a technical advisor to the President of the French Republic, from 1995 to 1997, then economic advisor from 1997 to 2002. In 2002, he was appointed Deputy Director of Staff to Prime Minister Jean-Pierre Raffarin, responsible for economic, industrial and social matters. Chairman and Chief Executive Officer of Gaz de France from 2004 to 2008, Mr. Cirelli was appointed Vice Chairman and President of GDF SUEZ on July 22, 2008.

Gérard Lamarche, born July 15, 1961, Belgian, is an Economic Sciences graduate of Université de Louvain-la-Neuve, and of Institut du management at INSEAD and of Wharton International (Forum Global Leadership Series). He began his career in 1983, as a consultant at Deloitte Haskins & Sells; he moved on to Group Société Générale de Belgique as an investment manager in 1988, where he was later appointed controller then advisor for strategic operations between 1992 and 1995. In 1995, he joined Compagnie de SUEZ as a project manager for the Chairman and Secretary of the Management Committee before becoming the Deputy Director responsible for Planning, Control and Accounting, then Secretary of the Investment Committee and Executive Vice-President for Finances of Nalco. In March 2004, he was appointed Chief Executive Officer for Finance of SUEZ Group, responsible for Financial Operations, Treasury, Taxes, Planning, Accounting and Control. Mr. Lamarche has been Executive Vice-President, Chief Financial Officer of GDF SUEZ since July 2008.

Patrick Ouart, born May 25, 1959, French, appointed as a Director by the Board of Directors on January 14, 2010 in place of Mr. Simón Grimaldos. A graduate from Ecole Nationale de la Magistrature, he performed various functions within the SUEZ Group between 1998 and 2003, before joining the LVMH group in 2004. Patrick Ouart served as advisor to the French Presidency between 2007 and 2009. He is a member of the Executive Committee of LVMH and an advisor to the LVMH group chairman.

Jérôme Tolot, born January 4, 1952, French, has a degree from INSEAD and Institut d'Etudes Politiques de Paris and holds a DESS in Economics. Mr. Tolot joined Lyonnaise des Eaux in 1982, as financial controller, after beginning his career at the consulting firm McKinsey and Banque INDOSUEZ. He then became Executive Vice President for Finance and Development of Degrémont, then Director and Chief Executive Officer of the GTM and VINCI groups, Chairman and Chief Executive Officer of SITA, and in 2002, was appointed Executive Vice-President of SUEZ and Director and Chief Executive Officer of Suez Energie Services in 2005; he is a member of the Executive Committee of SUEZ. He has been a member of the Executive Committee of GDF SUEZ since July 22, 2008, in charge of the Energy Services business line.

Olivier Pirotte, born September 18, 1966, Belgian, has an engineering degree from Ecole de Commerce Solvay and from Université Libre de Bruxelles. He began his career in 1989, at Arthur Andersen where he held management positions in the Business Consulting and Audit divisions. He joined Groupe Bruxelles Lambert in 1995, where he was appointed Director of Equity Interests and Investments in 2000.

Amaury de Sèze, born May 7, 1946, French, began his career in 1968, at Bull General Electric. In 1978, he joined Volvo Group where he held several positions, including Chief Executive Officer, Chairman and Chief Executive Officer of Volvo France, President of Volvo Corporate Europe, member of the Executive Committee of Volvo Group and member of the Strategic Committee of Renault Volvo. He joined Paribas Group in 1993, as a member of the Executive Committee of Compagnie Financière de Paribas and of Banque Paribas, responsible for equity interests and industrial affairs, then as the Head of BNP Paribas' Equity Interests Unit. Mr de Sèze is also Chairman of the Supervisory Board of Carrefour and Vice Chairman of Power Corporation du Canada.

Gérald Arbola, born May 29, 1948, French, is a graduate of Institut d'Etudes Politiques de Paris and has a degree in economic sciences. Mr. Arbola held several positions with Cogema Group (which became Areva NC) before joining Areva. He joined Cogema in 1982, as Director of Planning and Strategic Studies of SGN; from 1985 to 1989, he served as Chief Financial Officer. In 1988, he was appointed Executive Vice-President of SGN. In 1992, Mr. Arbola was appointed Chief Financial Officer of Cogema and member of the Executive Committee in 1999, while serving as Chairman of SGN in 1997 and 1998. A member of the Executive Board of Areva since 2001, Mr. Arbola has been the Chief Operating Officer of Areva since 2006.

Gilles Benoist, born December 12, 1946, French, has a degree in law and is a graduate of Institut d'Etudes Politiques de Paris and of Ecole Nationale d'Administration. In 1981, he was appointed Chief of Staff of the Minister of the Economy and Finance. In 1983, he became an auxiliary judge at the Cour des Comptes. From 1987 to 1991, he was General Secretary of Credit Local de France, a member of the Executive Committee, and advisor to the Executive Vice-President of the Caisse des Dépôts before being appointed Director of Central Services of the Caisse des Dépôts in 1991. From 1993 to July 1998, Mr. Benoist was General Secretary, a member of the Executive Committee, and Director of Human Resources of the Caisse des Dépôts Group. Chairman of the Management Board of CNP Assurances since 1998, Mr. Benoist was appointed Chief Executive Officer and Director on July 1, 2007.

Harold Boël, born August 27, 1964, Belgian, has a degree in Materials Sciences engineering from Ecole Polytechnique Fédérale in Lausanne, Switzerland. He held management positions in the steel industry at Usines Gustave Boël, Corus MultiSteel and Laura Metaal Holding. Mr Boël is currently Executive Director of Sofina SA and one of its parent companies, Henex SA.

Nicolas Bazire, born July 13, 1957, French, is a graduate of the French Naval Academy, the Institut d'Etudes Politiques of Paris and Ecole Nationale d'Administration. Mr. Bazire was an auditor and then an auxiliary judge at the Cour des Comptes. In 1993, he became Chief of Staff and a project manager for Prime Minister Edouard Balladur. Managing Partner of Rothschild & Cie Banque from 1995 to 1999, Mr. Bazire was then appointed Chairman of the Partnership Board. He has served as Chief Executive Officer of Arnault SAS Group since 1999.

Lorenz d'Este, born December 16, 1955, Belgian. After studying at Université of Saint-Gall, Switzerland, Mr. d'Este obtained a Master's degree in Economic Sciences and Politics from the University of Innsbruck, Austria. Mr. d'Este joined the Swiss bank E. Gutzwiller & Cie in 1983. First banking executive, then senior manager, he has been Managing Partner of E. Gutzwiller & Cie, Banquiers since 1990. He has also served as advisor to the Executive Management Committee of BNP Paribas since 1999 and as a Director of SUEZ ENVIRONNEMENT and a Director of Union Chimique Belge (UCB) since 2001.

Guillaume Pepy, born May 26, 1958, French, studied at Ecole Nationale d'Administration and is a Legal Advisor at the Conseil d'Etat (France's highest administrative court). Mr. Pepy has served in various positions at SNCF – French railways – (Director of Major Lines, then Director of Investments, Economy and Strategy, and Chief Executive Officer since 2003) as well as in government Ministries (technical advisor to Michel Charasse, Chief of Staff for Michel Durafour, then Chief of Staff for Martine Aubry). Since February 26, 2008, Mr. Pepy has served as Chairman and Chief Executive Officer of SNCF.

Ezra Suleiman, born November 20, 1941, American, is a graduate of Harvard and Columbia Universities. In 1973, he began his career as a Professor at the University of California in Los Angeles. Mr. Suleiman is a Professor of Political Science at Princeton University (IBM Chair). He is a member of the Audit Committee of AXA Financial Inc., as well as a member of the Audit Committee of AXA Group and a member of the Selection, Ethics, Governance and Human Resources Committees of AXA Group.

Angel Simón Grimaldos, born on November 9, 1957, Spanish, has an engineering degree from Ponts et Chaussées and is a graduate of the Polytechnic University in Barcelona. In 1995, Mr. Grimaldos joined Agbar Group as a representative in Portugal. In 1998, he was appointed International Managing Director for the Water and Sanitation Sector. In 1999, he was appointed Chief Executive Officer of Aguas Andinas. In 2004, he became Chief Executive Officer of Agbar group and then, in February 2008, director and Chief Executive Officer of the Agbar group. On January 8, 2010, he resigned his office as Director of SUEZ ENVIRONNEMENT COMPANY.

14.1.2 CHIEF EXECUTIVE OFFICER

Pursuant to the provisions of the agreement signed on June 5, 2008, the Board of Directors decided on the separation of duties and appointed Mr. Jean-Louis Chaussade Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY, on July 23, 2008.

14.1.3 MANAGEMENT BODIES

In exercising his duties as the Company's Chief Executive Officer, Mr. Jean-Louis Chaussade is supported by the following management bodies:

- The Management Committee, which is an analysis and decision-making body that examines the group's major decisions and guidelines, and meets every two weeks.
- The Executive Committee, which meets once a month, is a Group policy management and implementation body. It consists of the Management Committee and the main Business Unit managers.

The Management Committee comprises seven members besides Mr. Jean-Louis Chaussade:

Christophe Cros, born August 3, 1959, was a magistrate at the Cour des Comptes (1985-1989), then Head of financial organization of the Centre National des Caisses d'Epargne. Mr. Cros studied at Ecole Nationale d'Administration (ENA), and is a graduate of Institut d'Etudes Politiques de Paris and holds a Master's degree in Economics from Université de Paris I. He joined the SUEZ Group in 1991, where he became Chief Financing and Treasury Officer in 1993. From 1995 to 1998, he was Chief Operating Officer then Chairman and Chief Executive Officer of Crédisuez, the division covering all the Group's real estate activities. Mr. Cros was appointed Chief Operating Officer of SITA in 1999, and took over all European activities in 2002. Mr. Cros is in charge of the Waste Europe activities of SUEZ ENVIRONNEMENT and is CEO of SITA France.

Bernard Guirkinger was born April 21, 1952 and holds an engineering degree from the Ecole Centrale de Paris. He has dedicated most of his career to the water industry, of which he has extensive knowledge. After serving in various operating positions at several Lyonnaise des Eaux operations in France, Mr. Guirkinger was appointed Regional Director of the Southern Paris center in the early 1990's. In 1995, he pursued his career abroad, heading up the operating subsidiaries in Germany, Central Europe and Northern Europe. Leveraging this international experience, Mr. Guirkinger was appointed Chief Executive Officer of Lyonnaise des Eaux in 1996, then Chairman and Chief Executive Officer in 2002. Since September 2009, Mr. Guirkinger has been Executive Vice-President of SUEZ ENVIRONNEMENT in charge of coordinating Water activities, R&D and Sustainable Development. He is also responsible for Institutional Relations (European affairs, international agencies, corporate engineering). Since November 2010, Mr. Guirkinger has been a member of the Economic, Social and Environment Council of France (Conseil Economique, Social et Environnemental).

Denys Neymon, born June 18, 1960, worked for ten years in the construction industry (Bouygues Group) as Director of Human Resources. In 2002, Mr. Neymon joined the Group as the Director of Human Resources of Degrémont. He holds a law degree (1983) and a human resources degree (1984). He has been the Human Resources Director of SUEZ ENVIRONNEMENT since 2004 and is responsible for the Health and Safety Department. He is also a member of the Human Resources Executive Committee of GDF SUEZ.

Jean-Marc Boursier, born October 5, 1967, worked as Statutory Auditor for Mazars in Paris and London from 1993 to 1999. He is a civil engineer for Telecom SudParis and holds a Master's degree in International Finance from the Ecole des Hautes Etudes Commerciales (HEC Paris). Mr. Boursier joined the SUEZ Group in 1999 as financial controller of SITA France. He became Head of

Financial Control of SITA in 2000, then Head of Financial Control and Mergers and Acquisitions of SITA in 2001, and then Director of Planning and Control of SUEZ ENVIRONNEMENT in 2002. He was appointed Chief Financial Officer of SUEZ ENVIRONNEMENT in 2004.

Marie-Ange Debon, born May 18, 1965, is a graduate of HEC and ENA, and has a Master's degree in law. From 1990 to 1994, she served as a magistrate at the Cour des Comptes. Ms. Debon joined France 3 and was Management Director, then Executive Vice-President for Resources (Finance, Legal, Information Technology, Production and Equipment). She then joined the Thomson Group in November 1998, where she was Deputy Chief Financial Officer. After July 2003 she has served as General Secretary, responsible for Legal, Insurance, Real Estate, Corporate Communications and Shareholder Relations. She is a member of the Collège de l'Autorité des Marchés Financiers (AMF, the French Financial Markets Authority). Ms. Debon joined SUEZ ENVIRONNEMENT on June 1, 2008 as General Secretary, in charge of Legal and Audit. Since September 2009, she is also responsible for the Water and Waste Project Divisions, Information Systems, Risks/Investments, Insurance and Purchasing. Since July 2010, Ms. Debon has been a Director of Technip.

Frédérique Raoult, born on July 13, 1966, is a graduate of the Institut d'Etudes Politiques de Paris and holds a master's degree in history. She has held a number of communication positions within the Group relating to the environment. In 1997, she joined Degrémont as Director of Communications. She has been Director of Communications for SUEZ ENVIRONNEMENT since 2004 and a member of SUEZ ENVIRONNEMENT's Management Committee since January 1, 2009.

Thierry Mallet, born September 4, 1960, is a graduate of Ecole Polytechnique (1980), and Ecole Nationale des Ponts et Chaussées (1985) and also holds a Master of Sciences degree from the Massachussetts Institute of Technology. He started his career working for the French Ministry of Transportation from 1987 to 1989. He then moved to the Générale des Eaux Group, where he held different positions and in particular, was in charge of water activities in Spain from 1995 to 1997 and in North America from 1997 to 1999. He joined Degrémont in December 2002 as Chief Operating Officer where he worked closely with Jean-Louis Chaussade, who held the position of Chairman and Chief Executive Officer, and became Chief Executive Officer in June 2004 until October 2009 where he was appointed Chairman of Degrémont. Since October 1, 2009, Thierry Mallet has been Senior Executive Vice President of SUEZ ENVIRONNEMENT, in charge of the International segment, which includes Degrémont, Asia, North America, Central Europe and the Middle East and became a member of the Group Management Committee.

14.1.4 INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

Information on the number of independent directors, the independence criteria applied and the results of the examination relative to the directors' independence may be found in the Report of the Chairman of the Board of Directors for the fiscal year ending December 31, 2010.

14.2 CONFLICTS OF INTEREST WITHIN ADMINISTRATIVE BODIES AND GENERAL MANAGEMENT

BOARD OF DIRECTORS

To the Company's knowledge, as of the date of this Reference Document, there are no potential conflicts of interest among the members of the Board of Directors between their duties vis-à-vis the Company and their private interests and/or other duties.

GENERAL MANAGEMENT

To the Company's knowledge, as of the date of this Reference Document, the Chief Executive Officer has no potential conflicts of interest between his duties vis-à-vis the Company and his private interests and/or other duties.

15

COMPENSATION AND BENEFITS

CONTENTS

15 COMPENSATION AND BENEFITS

15.1 COMPENSATION AND BENEFITS IN KIND

15.1.1 TOTAL COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

2010 COMPENSATION

The following tables summarize the compensation for the Corporate officer, Chief Executive Officer, according to the model defined by the AFEP-MEDEF Code of December 2008.

SUMMARY TABLE OF COMPENSATION, OPTIONS AND SHARES ALLOCATED TO THE CORPORATE OFFICER – GROSS AMOUNTS (IN EUROS).

Jean-Louis CHAUSSADE Chief Executive Officer	Fiscal year 2009	Fiscal year 2009 proforma **	Fiscal year 2010
Compensation due for the fiscal year (see breakdown below)	1,557,797	1,557,797	1,573,023
Value of options allocated during the fiscal year	0	0	335,637
Value of performance shares allocated during the fiscal year	205,920 (*)	205,920 (*)	182,856
Value of performance shares allocated during the fiscal year (**)	0	179 193 (**)	0
TOTAL	**1,763,717**	**1,942,910**	**2,091,516**

(*) This allocation of performance shares granted to the corporate officer by the Board of Directors on December 17, 2009 is detailed in Section 15.1.1 of the 2009 Reference Document.

(**) This takes into account the allocation of GDF SUEZ performance shares for fiscal year 2009 following a decision of the GDF SUEZ Board of Directors of January 20, 2010 as detailed below.

SUMMARY TABLE OF COMPENSATION OF THE CORPORATE OFFICER (IN EUROS).

Jean-Louis CHAUSSADE Chief Executive Officer	Amounts in fiscal year 2009		Amounts in fiscal year 2010	
	due	paid (1)	due	paid (1)
- Fixed compensation	750,000	750,000	750,000	750,000
- Variable compensation	799,208	634,434	810,105	799,208
- Extraordinary compensation (2)	0	5,452	0	0
- Directors fees	0	41,578	0	0
- Benefits in-kind	8,589	8,589	12,918	12,918
TOTAL	**1,557,797**	**1,440,053**	**1,573,023**	**1,562,126**

(1) Variable compensation paid corresponds to the variable compensation relative to year n-1

(2) Extraordinary compensation corresponds to GDF SUEZ employee profit sharing due for the period from January 1, 2008 to July 22, 2008.

Since January 1, 2009, Jean-Louis Chaussade has received gross annual fixed compensation of €750,000. His compensation remains unchanged for 2011.

Added to this fixed compensation is a variable portion that may range from 0% to 145% of the fixed portion. The 2010 variable portion paid in 2011 was defined based on criteria relating to EBITDA growth, free cash flow, debt, net income, the Group's strategy and management, and workplace health and safety. The Nominations and Compensation Committee has been informed of the 2010 results and has assessed the level of attainment of these goals. The targets that must be met under these quantitative criteria have been set precisely and for confidentiality reasons cannot be disclosed publicly. Consequently, the variable portion paid in 2011 for 2010 was €810,105.

The 2009 variable portion, paid in 2010, was €799,208. It was defined based on criteria relating to free cash flow, operating performance, net income, debt, and the Group's strategy and management during the crisis.

In addition to the fixed and variable compensation mentioned above, 2010 benefits in kind totaled €12,918, corresponding to €7,578 for a company car, and €5,340 for the special unemployment insurance for Company Directors (GSC – Garantie Sociale des chefs et dirigeants d'entreprise). The Company provided him with a cell phone and a laptop computer.

To conform to the Board of Directors' 2008 decision on his compensation, Mr. Chaussade no longer receives Director's fees.

OTHER BENEFITS

Pursuant to Articles L.225-38 and L.225-42-1 of the French Commercial Code and as authorized by the Board of Directors, Mr. Chaussade receives benefits relating to retirement, social security, healthcare cover, corporate guarantees and severance payments in the event of dismissal.

Mr. Chaussade also receives Group supplementary retirement insurance benefits applicable to SUEZ ENVIRONNEMENT employees. These include, first, mandatory Group insurance subject to defined contributions as stipulated in Article L.441-1 of the French Insurance Code [1]. Secondly, a supplementary Group defined benefits retirement program [2]. In the event they leave the Company before retirement benefits are paid, unless provided for otherwise by law, potential beneficiaries of these programs retain only their rights under the defined-contributions system and lose their rights under the defined-benefits program. At December 31, 2010, the provisioned retirement obligations for Mr. Chaussade amounted to €3.5 million (versus €2.5 million at end 2009).

Mr. Chaussade also benefits from the Company's current Group mandatory insurance and health care plans. Finally, SUEZ ENVIRONNEMENT has taken out special unemployment insurance for Company Directors (GSC) in favor of Mr. Chaussade, amounting to €5,340 in 2010.

(1) The defined-contributions program produces definitive rights acquired through the conversion of contributions withheld for retirement, calculated as a function of contributions paid each year. They amount to 4.196% on revenues up to the first social security ceiling, and 7% on revenues to the next three ceilings.

(2) Contingent upon having completed his career within the Company, this regime entitles the holder to a life annuity calculated as a function of the number of years of contribution and the reference compensation.

The Chief Executive Officer's situation, both contractually and in terms of severance payments in the event of dismissal, is described in the 2008 Reference Document. It was not modified in 2009 and 2010.

	Employment contract		Supplementary retirement plan		Compensations or benefits due or that may become due pursuant to resignation or a change in duties		Compensation due pursuant to a non-compete clause	
Corporate officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Jean-Louis CHAUSSADE Director and Chief Executive Officer	with GDF SUEZ, suspended for the term of the corporate assignment at SUEZ ENVIRONNEMENT COMPANY [(b)]		X		X			X
Start of assignment: 07/23/2008								
End of assignment: at the end of his assignment as Director, i.e., at the 2012 GM for the fiscal year 2011					15 months of the total gross compensation [(a)]			

(a) *The allocation of this compensation is subject to a number of performance criteria in accordance with the so-called "TEPA" law dated August 21, 2007. Three criteria were defined here: average growth in revenue as provided for in the medium-term plan and measured over the period from 2008 to the year in which the position is relinquished (under similar economic conditions to those prevailing when the medium-term plan was devised); the growth of the share price of SUEZ ENVIRONNEMENT COMPANY, which must be equal to or greater than the average growth of the CAC 40 stock market index over the period starting from July 22, 2008 to the date on which the position is relinquished; and ROCE, which must be greater than the average WACC over this same period of time.*

If two of these criteria have been fulfilled by the date on which the dismissal decision is taken, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due. The variable part of the total gross compensation which serves as the basis for calculating the dismissal payment is equal to the average of the variable parts for the two years preceding the year in which the dismissal decision is taken.

(b) *Under the terms of this contract the Chief Executive Officer is entitled to a six months' notice.*

STOCK OPTIONS AND PERFORMANCE SHARES

STOCK OPTIONS ALLOCATED TO THE CORPORATE OFFICER

The Board of Directors of SUEZ ENVIRONNEMENT COMPANY resolved at its meeting of December 16, 2010 to allocate to Mr. Chaussade the following stock options:

Plan	Type of option	Valuation of stock options based on the method used for the consolidated financial statements	Number of options allocated during the year	Exercise price	Exercise period
12/16/2010	Purchase	€335,637	120,300	€14.2	12/16/2014 to 12/15/2018

All of the 120,300 stock options allocated to Mr. Chaussade by the Board of Directors' resolution of December 16, 2010 are subject to the following two cumulative performance conditions:

- SUEZ ENVIRONNEMENT COMPANY's stock market performance against the average performance of the CAC 40 and Eurostoxx Utilities indices for the period December 15, 2010 to December 15, 2014.
- an internal performance condition based on the consolidated Group's cumulative recurring net income between 2010 and 2013 inclusive.

Pursuant to Article L. 225-185 of the French Commercial Code, the Board of Directors resolved at its meeting of December 16, 2010 that for the duration of his term of office, Mr. Chaussade will retain 25% of the shares from exercised options and performance shares allocated under various plans up to a total of 150% of his fixed annual compensation.

PERFORMANCE SHARES ALLOCATED TO THE CORPORATE OFFICER

At its meeting of December 16th, 2010 the SUEZ ENVIRONNEMENT COMPANY Board of Directors resolved to allocate Mr. Chaussade the performance shares listed below.

Plan	Number of shares allocated during the year	Value of shares according to the method used for the consolidated financial statements	Acquisition Date	Availability date
12/16/2010	24,060	€182,856	12/16/2014	12/16/2016

All of the 24,060 performance shares allocated to Mr. Chaussade by the Board of Directors meeting of December 16, 2010 are subject to the following two cumulative performance conditions:

- SUEZ ENVIRONNEMENT COMPANY stock market performance against the average performance of the CAC 40 and Eurostoxx Utilities indices for the period December 15, 2010 to December 15, 2014.
- an internal performance condition based on the consolidated Group's cumulative recurring net income between 2010 and 2013 inclusive.

Pursuant to Article L. 225-197-1 of the French Commercial Code, the Board of Directors resolved at its meeting of December 16, 2010 that for the duration of his term of office, Mr. Chaussade will retain 25% of the shares from exercised options and performance shares allocated under various plans up to a total of 150% of his fixed annual compensation.

Moreover, Mr. Chaussade is specifically prohibited from using in any hedging agreement for any stock options or performance shares that may be allocated to him by the Company.

At its meeting of November 10, 2009 the GDF SUEZ Board of Directors postponed to its meeting of January 20, 2010 the approval of GDF SUEZ performance share allocations for fiscal 2009 as follows:

Plan	Number of shares allocated during the year	Value of shares according to the method used for the consolidated financial statements	Acquisition Date	Availability date
01/20/2010	9,660	€179,193	01/20/2010	03/14/2012

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:

- Internal performance condition based on GDF SUEZ Group EBITDA in 2011 (for half of the allocated shares);
- External performance condition based on GDF SUEZ share price performance against the performance of the Eurostoxx Utilities Index during the vesting period (for the other half of the allocated shares).

Options to subscribe or purchase GDF SUEZ shares exercised during the year by the Corporate officer:

N/A

GDF SUEZ performance shares that became available to the Corporate officer during the year:

N/A

15.1.2 COMPENSATION OF MEMBERS OF THE MANAGEMENT COMMITTEE

All active members of the Management Committee serving as of December 31, 2010 (see Section 14.1.3), including the Chief Executive Officer, received total gross compensation of €5,142,315 in 2010. The difference between 2008 and 2009 was due primarily to the expansion of the Management Committee, which has eight members since 2009, compared to six members in 2008, for part of the year. The change in total gross compensation of Management Committee members between 2009 and 2010 is due to a change in specific situations, linked in particular to significant changes of responsibilities and to necessary compensation realignments to match market standards, as well as by the automatic changes in the variable parts resulting from the expansion of the Management Committee which impacted on 2009 fixed parts.

The table below specifies the fixed and variable parts paid to Management Committee members over the last three years (amounts in euros). It does not include the valuation of stock options and performance shares allocated by SUEZ ENVIRONNEMENT COMPANY and GDF SUEZ.

Year of payment	Total fixed parts	Total variable parts	Total compensation
2008	1,868,634	1,131,331	2,999,965
2009	2,786,578	1,761,999	4,548,577
2010	2,912,678	2,229,637	5,142,315

Added to the compensation described above is an amount corresponding to employee profit-sharing and incentive bonuses, which totaled €96,613 paid to the entire Management Committee in 2010 for fiscal year 2009.

In addition, one Management Committee member received Aguas de Barcelona (Agbar) Director's fees for the last year. Mr. Chaussade no longer receives any Director's fees.

15.1.3 COMPENSATION OF DIRECTORS

The compensation of Gérard Mestrallet, Chairman and Chief Executive Officer of GDF SUEZ, is described in the GDF SUEZ Group Reference Document. Mr. Mestrallet does not receive any compensation as Chairman of the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, or any Director's fees.

Valérie Bernis, Jean-François Cirelli, Dirk Beeuwsaert, Alain Chaigneau, Gérard Lamarche, and Jérôme Tolot are corporate officers or employees of the GDF SUEZ Group and do not receive any compensation from the Company or from any controlled or controlling company that may be associated with their role as corporate officers within SUEZ ENVIRONNEMENT COMPANY. None of the Directors appointed on the proposal of GDF SUEZ and performing a function in the GDF SUEZ Group (employee or corporate officer) received Directors' fees as Directors of the Company.

No stock options or bonus shares were awarded during the year to the Directors of SUEZ ENVIRONNEMENT COMPANY, with the exception of Jean-Louis Chaussade, Chief Executive Officer.

No stock options or bonus shares allocations were exercized during the year by Directors of SUEZ ENVIRONNEMENT COMPANY as officers of the Company.

The Combined Ordinary and Extraordinary Shareholders' Meeting held on May 20, 2010 increased the total Directors' fees payable from €400,000 to €450,000 to remain in effect until otherwise resolved.

At its meetings of June 25, 2010 and January 12, 2011, the Board of Directors adopted the following recommendations of the Nominations and Compensation Committee regarding the distribution of Director's fees:

One portion of €255,000 allocated to the Board of Directors to be distributed as follows:

- a fixed portion of €175,000 or €15,000 per Director (excluding representatives of GDF SUEZ Group), €20,000 for the Chairmen of the Nominations and Compensation and the Ethics and Sustainable Development Committees, €30,000 for the Chairman of the Audit and Financial Statements Committee, plus an additional fixed €35,000 drawn from the unallocated balance of the variable parts described below to be distributed equally between the Directors receiving Directors' fees;
- a variable portion of €80,000 maximum allocated based on Directors' attendance at Board of Directors meetings.

A maximum portion of €195,000 for the various Committees, subject to every Director of any committee receiving the same amount and conditional upon the Directors' regular attendance at the various committee meetings.

The following table shows Director's fees allocated to Directors, calculated in accordance with the above rules.

STATEMENT OF DIRECTORS' FEES

Board Members	Directors' fees paid in N-1	Directors' fees paid in N[i]
Gérald Arbola	€34,444.44	€34,624.99
Nicolas Bazire	€42,767.35	€48,874.97
Gilles Benoist	€35,111.10	€34,624.99
Harold Boël [ii] [iii]	€33,111.10	€31,916.66
Lorenz d'Este [ii], Chairman of the Nominations and Compensation Committee	€48,055.62	€52,166.64
Patrick Ouart	-	€25,500.00
Guillaume Pepy, Chairman of the Ethics and Sustainable Development Committee	€53,618.05	€55,874.97
Olivier Pirotte [ii] [iv]	€43,861.10	€53,583.30
Amaury de Sèze	€33,888.88	€39,041.65
Ezra Suleiman [ii], Chairman of the Audit and Financial Statements Committee	€64,027.77	€71,291.63
TOTAL	€388,885.41	€447,499.80

(i) The Director's fees for the second half of 2010 were paid in January 2011.
(ii) These gross amounts are subject to a withholding tax.
(iii) The Director's fees were paid to Sofina.
(iv) The Director's fees were paid to Groupe Bruxelles Lambert.

15.2 AMOUNTS PROVISIONED BY THE COMPANY AND ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT PLANS, AND OTHER BENEFITS TO MEMBERS OF THE MANAGEMENT COMMITTEE

Retirement commitments provisioned in the financial statements as of December 31, 2010 for members of the Management Committee totaled €8.9 million solely for the SUEZ ENVIRONNEMENT retirement programs.

COMPENSATION AND BENEFITS

Amounts provisioned by the company and its subsidiaries for the payment of pensions, retirement plans, and other benefits to members of the management committee

16

FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

CONTENTS

16 FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 TERMS OF OFFICE OF MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

The following table shows the initial appointment and termination dates of the mandates of the Company's officers:

Name and title	Date of initial appointment	Start date of current mandate	Termination date of mandate
Gérard Mestrallet, Chairman of the Board of Directors (1)	Dec. 5, 2007	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Jean-Louis Chaussade, Director and Chief Executive Officer (1)	Dec. 5, 2007	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Jean-François Cirelli, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Gérard Lamarche, Director	Dec. 5, 2007	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Alain Chaigneau, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Dirk Beeuwsaert, Director (until March 17, 2011)	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Valérie Bernis, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Jérôme Tolot, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Penelope Chalmers Small, Director	March 17, 2011	March 17, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Patrick Ouart, Director (2)	Jan. 14, 2010	Jan. 14, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Amaury de Sèze, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Olivier Pirotte, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Gérald Arbola, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Gilles Benoist, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Harold Boël, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Lorenz d'Este, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Nicolas Bazire, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011
Guillaume Pepy, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Ezra Suleiman, Director	July 15, 2008	July 22, 2008	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2011

(1) Gérard Mestrallet and Jean-Louis Chaussade were appointed Chairman of the Board of Directors and Chief Executive Officer, respectively, at the Board of Directors meeting of July 23, 2008.

(2) Angel Simón was appointed Director of SUEZ ENVIRONNEMENT COMPANY on July 22, 2008 and resigned his mandate on January 8, 2010. On January 14, 2010 the Board of Directors co-opted Patrick Ouart as Director to replace Angel Simon.

Pursuant to the AFEP-MEDEF recommendations of December 2008, and in order to avoid renewing the entirety of the Board of Directors all at one time at the conclusion of the 2012 Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2011, the Board of Directors of February 24, 2010 decided to implement a staggered renewal of Director appointments. Accordingly, Gérald Arbola, Dirk Beeuwsaert, Gilles Benoist, Alain Chaigneau, Guillaume Pepy and Jérôme Tolot resigned with effect at the end of the General Meeting of May 20, 2010. Acting on the Board of Directors' proposal, the General Meeting reappointed them as Directors for a term of four years to expire at the end of the General Meeting convened in 2014 to approve the financial statements for the fiscal year ended December 31, 2013. These reappointments are detailed in the Chairman's Report appended to this Reference Document (Appendix A).

Valérie Bernis, Jean-François Cirelli, Gérard Lamarche, Nicolas Bazire, Lorenz d'Este and Olivier Pirotte resigned with effect at the end of the General Meeting convened in 2011 to approve the financial statements for the fiscal year ended December 31, 2010.

At its meeting of February 24, 2010 the Board of Directors decided to propose to the next Shareholders' General Meeting that Valérie Bernis, Jean-François Cirelli, Gérard Lamarche, Nicolas Bazire, Lorenz d'Este and Olivier Pirotte be appointed as Directors for a term of four years expiring at the end of the General Meeting convened in 2015 to approve the financial statements for the fiscal year ended December 31, 2014.

16.2 INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES AND THE COMPANY OR ANY OF ITS SUBSIDIARIES

To the knowledge of the Company, as of the date of this Reference Document, the members of the Board of Directors or the Chief Executive Officer do not enjoy benefits as a result of service contracts between them and the Company or any of its subsidiaries.

16.3 COMMITTEES OF THE BOARD OF DIRECTORS

In accordance with Article 15 of the Company Bylaws, the Board of Directors may decide to set up committees responsible for studying issues which the Board or its Chairman put to them for investigation.

In this context, the Board of Directors decided to set up four committees at its meeting of July 23, 2008: a Strategic Committee, an Audit and Financial Statements Committee, an Ethics and Sustainable Development Committee, and an Nominations and Compensation Committee. Their respective missions are described in the Internal Rules of the Board of Directors which are available on the Company's website (www.suez-environnement.fr). The composition of these committees was decided by the Board of Directors at the same meeting on July 23, 2008 in accordance with the terms of the shareholders' agreement signed June 5, 2008 and is described in the Chairman's Report in Appendix A of this Reference Document.

16.3.1 STRATEGIC COMMITTEE

The Strategic Committee is composed of seven members, two of which are appointed by the Board of Directors from among the independent Directors, three from among the Directors representing GDF SUEZ, and two from among the Directors representing certain other shareholders who have entered into the shareholders' agreement described in Section 18.3 of this Reference Document.

The Strategic Committee gives its opinion and submits a recommendation to the Board of Directors concerning:

- the strategic direction envisaged by the Board of Directors or proposed by the Chief Executive Officer; and
- all projects of internal and external growth, divestment, strategic agreements, alliances, or partnerships submitted to the Board of Directors.

Upon presentation of a report by the Chief Executive Officer, the Committee carries out a strategy review once a year which it submits, as and when needed, to the Board of Directors. The Strategic Committee has the ability to hear anybody it wishes in carrying out its assignment. The Committee may ask the Board of Directors for external assistance, if it deems this necessary for carrying out its mission.

16.3.2 AUDIT AND FINANCIAL STATEMENTS COMMITTEE

The Audit and Financial Statements Committee is composed of five members, three of whom are appointed by the Board of Directors from among the independent auditors, one from among the Directors representing GDF SUEZ, and one from among the Directors representing certain other shareholders who have entered into the shareholders' agreement described in section 18.3 of this Reference Document.

The Audit and Financial Statements Committee assists the Board of Directors in ensuring the accuracy and fairness of SUEZ ENVIRONNEMENT COMPANY's statutory and consolidated financial statements and the quality of the internal control and information provided to shareholders and the financial markets. The Committee formulates opinions and recommendations to the Board of Directors in the fields described below. The Board of Directors entrusts the Committee mainly with the following assignments:

As regards the financial statements, the Committee:

- undertakes prior examination and gives its opinion on the draft annual, half-yearly and, where applicable, quarterly financial statements before these are delivered to the Board of Directors;
- assesses the relevance and permanence of the accounting rules and principles used in drawing up the statutory and consolidated financial statements and prevents any potential breach of those rules;
- requests details of any change in the scope of consolidation and where necessary, obtains all necessary explanations;
- whenever it deems necessary, meets with the statutory auditors, senior executives, financial management, internal auditors and any other member of management; these hearings may take place, where necessary, without the presence of senior executives;
- examines, before publication, the draft annual or interim financial statements, the activity and income report, and any financial statements (even provisional) drawn up for specific major transactions, and important financial press releases before their issuance;
- monitors the quality of procedures ensuring compliance with stock exchange regulations; and
- is informed annually on financial strategy and on the terms and conditions of the Group's main financial transactions.

As regards external auditing of the Company, the Committee:

- examines questions relating to the appointment, renewal, or dismissal of the Company's Statutory Auditors and the level of fees to be set in carrying out their legally prescribed audit assignments;
- supervises the rules for referring work other than financial statement auditing to the Statutory Auditors and, more generally, monitors compliance with the principles that guarantee the independence of the Statutory Auditors;
- pre-approves any assignment entrusted to the Statutory Auditors other than their audit mission;
- examines each year, with the Statutory Auditors, the amounts of fees paid by the Company and the Group to network entities to which the Statutory Auditors belong, their audit schedule, the conclusions they reached, their recommendations, and the follow-up of the latter; and
- arbitrates, where necessary, issues that may arise between the Statutory Auditors and senior executives in the course of their work.

As regards internal auditing of the Company, the Committee:

- evaluates the efficiency and quality of the Group's internal audit systems and procedures;
- in collaboration with those responsible for the internal audit, examines the audit schedules and action plans in the internal audit area, the conclusions drawn from them and the recommendations arrived at and their follow-up, all without the presence of members of general management, if necessary;
- is informed by senior executives, or by any other means, of any complaints from third parties or any internal information revealing criticism of the Company's accounting documents or internal control procedures, as well as the corrective procedures set up to this end and the solutions to these claims or criticisms; and
- entrusts internal audit with any assignment it deems necessary.

As regards risks, the Committee:

- obtains regular updates on the Group's financial and cash flow positions and on the Group's main commitments and risks; and
- examines the procedures in place for assessing and managing those risks.

16.3.3 ETHICS AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Ethics and Sustainable Development Committee consists of three members, two of whom are appointed by the Board of Directors from among the independent Directors and one from among the Directors representing certain other shareholders who have entered into the shareholders' agreement described in Section 18.3 of this Reference Document.

The Ethics and Sustainable Development Committee oversees compliance with the individual and collective values on which the Group bases its actions, and the rules of conduct to which all employees must adhere.

These values include the Group's special responsibility for safeguarding and improving the environment and sustainable development. The Group ensures that the necessary procedures are in place to:

- update the charters in force within the Group and ensuring their circulation and application;
- ensure that foreign subsidiaries implement their own code adapted to the domestic legal and regulatory framework of the country where they carry out their business;
- carry out training that accompanies the circulation of the Group's charters; and
- obtain from the various Group companies information on the solutions they have selected for issues presented to their own Committee.

16.3.4 NOMINATIONS AND COMPENSATION COMMITTEE

The Nominations and Compensation Committee consists of three members, two of whom are appointed by the Board of Directors from among the independent Directors and one from among the Directors representing certain other shareholders who have entered into the shareholders' agreement described in section 18.3 of this Reference Document.

The Chief Executive Officer attends meetings of the Committee when his/her succession, or compensation or certain other benefits reserved for a Chief Operating Officer, are an issue.

The Nominations and Compensation Committee is entrusted with the following tasks by the Board of Directors:

- to regularly review the principles and independence criteria;
- to examine all applications for appointment to a seat on the Board of Directors or as a Board observer, where applicable, and to formulate an opinion and/or recommendation to the Board of Directors on these applications;
- to prepare, as and when necessary, recommendations for the successor to the Chief Executive Officer and, where necessary, the Chairman of the Board of Directors;
- to set, each year, the Chief Executive Officer's targets, which will subsequently serve as a reference in appraising his/her performance and in determining that part of his/her compensation that is performance-based.

The Committee is consulted in some very specific cases on the nomination of the candidates concerned.

The Nominations and Compensation Committee is also responsible for:

- making recommendations to the Board of Directors on compensation, pension and employee benefit arrangements, benefits in kind, and other pecuniary rights, including from time to time the allocation of shares subscription or purchase options in the Company, including the allocation of bonus shares in favor of the Chairman, the Chief Executive Officer, the Chief Operating Officers, and any members of the Board of Directors who are also employees; and
- making recommendations to the Board of Directors on the compensation of members of the Board of Directors and, if applicable, any Board observers.

The Committee is kept informed in certain specific cases of the compensation arrangements for the persons concerned.

16.4 STATEMENT ON CORPORATE GOVERNANCE

The Company intends to follow the corporate governance recommendations of the AFEP (Association Française des Entreprises Privées) and the MEDEF (Mouvement des Entreprises de France) in the AFEP-MEDEF Code of Corporate Governance, insofar as these principles are compatible with the Company's organization, size, resources and shareholder structure, as well as with the shareholders' agreement entered into by SUEZ ENVIRONNEMENT COMPANY, GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva and CNP Assurances, the main provisions of which are described in Section 18.3 of this Reference Document.

At its meeting of October 28, 2008, the Board of Directors acknowledged and fully accepted the AFEP-MEDEF recommendations of October 6, 2008 relative to the compensation of the corporate officers, which are perfectly consistent with the policy of transparency followed by the Company. The Company referred to the AFEP-MEDEF Code in drawing up this Reference Document.

17 EMPLOYEES

CONTENTS

17 EMPLOYEES

17.1 HUMAN RESOURCES

17.1.1 THE HUMAN RESOURCES (HR) CHALLENGES

SUEZ ENVIRONNEMENT respects three fundamental HR principles:

- act as a socially responsible player, ensuring that our employees can continually adapt to changing employability requirements;
- build our future based on promoting internal talent and every employee's development;
- maintain a constructive and transparent dialog with our employees and their representatives.

2010 was marked by a sharp contrast between:

- the growth in international operations, the first encouraging results in new business areas;
- a slower than expected upturn in France and Europe, especially in services to industry.

Our HR strategy for 2009 continued into 2010:

- dialog to resolve difficulties;
- close management of teams as a managerial priority;
- proactive solutions to uncertainties.

The significant expansion of the Group's scope by consolidating Agbar and taking majority stakes in a number of French water companies (Société des Eaux du Nord, Sevesc, Stéphanoise des Eaux, Martiniquaise des Eaux, Guyanaise des Eaux, Seram) substantially boosted our skills base (by some 12,100 staff) in France, Spain and Latin America in particular.

17.1.2 VALUES AND ETHICS

In close cooperation with GDF SUEZ, SUEZ ENVIRONNEMENT is reinforcing its commitment to every employee's development and respect for the individual.

On November 16, 2010, the Group signed an agreement with three international trade unions on "Fundamental rights, social dialog and sustainable development".

This agreement promotes two essential ideas:

- support for sustainable employment;
- eco-responsibility in support of sustainable performance.

The stability and sustainability of employment is based on a range of commitments that includes respect for trade union rights, the right to professional training and personal development, and respect for the individual as a human being, including his physical safety.

In terms of eco-responsibility, this commitment involves the notion of sustainable long-term performance.

Sharing corporate principles and making employees day-to-day partners in this social endeavor opens a new wider range of dialog and action within the Group.

We share with GDF SUEZ the same four values:

- Drive: for a sustainable long-term performance;
- Commitment: reconciling economic development with respect for the environment;

- Daring: experiencing the present with optimism and building the future with creativity;
- Cohesion: between energy and environment, sustainable sources of progress for everyone.

SUEZ ENVIRONNEMENT's Ethics Charter asserts the following four principles:

- strict respect for laws and regulations;
- a culture of integrity;
- loyalty and honesty;
- respect for others.

Values, Ethics and Fundamental Rights are cornerstones of the Group's HR policy.

17.1.3 CORPORATE COMMITMENTS

Employment management

As a result of changes to the Group's scope its workforce increased by 21%, to 79,554 employees.

At the same time, its France-based workforce declined to 43.9% of the total.

Key employment indicators improved and showed higher activity than in 2009, although not as positive as in 2008.

More than 5,900 employees were brought into SUEZ ENVIRONNEMENT entities on permanent contracts, up 25% on 2009.

Moreover, the low level of voluntary leavers and our healthy balance in new employees between the "young, experienced and seniors" categories confirm the job market's favorable view of us as employers.

Seen as a major strategic development lever for SUEZ ENVIRONNEMENT, special effort was put into the integration of newly hired staff members.

Highly decentralized, SUEZ ENVIRONNEMENT's entities in France and abroad are developing integration programs in line with their particular business activities and culture.

To boost efficiency, an internal central hiring platform has been set up, the purpose of which is to optimize external sourcing and make best use of our internal wellspring of candidates.

Part-time learning and apprenticeships

As an essential element in its policy, SUEZ ENVIRONNEMENT Group runs a national hiring campaign in cooperation with GDF SUEZ which has seen new employees integrated into all its entities.

Agreements with educational establishments at all levels – national and local – also reinforce the "support for sustainable employment" concept that is featured in the agreement on fundamental rights of November 16, 2010.

Working with the French Foundation Against Exclusion (*Fondation Agir contre l'Exclusion – FACE*), SUEZ ENVIRONNEMENT also supports young unemployed recent graduates.

Mobility policy

SUEZ ENVIRONNEMENT operates a dynamic policy aimed at facilitating internal mobility.

Promoting an internal market of attractive, diverse jobs, maximizing internal skills and sharing know-how are ways of boosting long-term employment and gaining employee loyalty.

The priority in 2010 is international mobility. Strongly developing economic regions and the emergence of new customer needs create new opportunities for all our staff.

By forming a wellspring of internal skills, analyzing availability levels with the help of management input, and an organizational structure dedicated to creating and supporting focused offers for employees, we believe we can achieve this objective rapidly.

Training

In line with SUEZ ENVIRONNEMENT's commitment to professional training, we are putting effort into international skills development.

We encourage and do everything we can to develop the learning attitude. Community-based learning tools (e-learning, Web 2.0) facilitate and accelerate this development by rolling out adapted programs and sharing best practices.

The number of training hours per person per year is a key indicator of our success in this area. Higher in 2010, its continued rise is a confirmed priority for the Company.

Training is an essential competitiveness lever for the future. The quality and availability of our technical skills, the development of new business lines and continually evolving customer demands are among the most important HR challenges we face.

Career paths

It is the Company's policy to make employees the active drivers of their own careers.

Identifying personal potential is a local management process. Whether identifying future top executives or the best experts for tomorrow, the use by managers of the tools available to them guarantees progress and success.

This approach is supplemented by cascaded "people reviews" that allow us to provide every person at every level (local and central) with individualized support.

Support and action plans are adapted to each situation.

Among the key changes in 2010, we must mention the program to identify, promote and develop the Group's experts, supplemented by training courses focusing on achieving the right technical-business combination and measuring the contribution of our experts.

We consistently focus on and invest in fast evolving technologies for experts in these fields.

Compensation policy

Recent economic events are reflected in our more cautious compensation policy.

Changes in direct pay take local conditions into account, while striving to match top pay levels in the relevant markets.

Major changes have been made to indirect compensation and to the structure of the employee savings plan.

In close cooperation with GDF SUEZ, the Group Savings Plan and Group Retirement Savings Plan were created within the framework of the Company's shareholder policies.

French tax residents who opted to do so were able to assign the 10 GDF SUEZ shares from the 2008 Bonus Share Plan to their Group Savings Plan.

The Group Retirement Savings Plan collects funds earmarked for retirement savings in France. The result of a social consultation process, the PERCO agreement (a retirement savings plan that allows employers to match employee contributions) allows employers to choose how they feed their contributions.

This means that every entity can set its own policy regarding legally-required aspects such as employer's contribution, time savings account, incentive and profit-sharing agreements.

2010 was also marked by a further capital increase restricted to GDF SUEZ and SUEZ ENVIRONNEMENT employees in France and internationally, in accordance with the resolutions passed by the Shareholders' General Meeting (see Section 17.3).

Social relations

The following bodies are specific dialog groups that bring together the Group, its entities, and employee representatives.

- **The European Works Council (Comité d'Entreprise Européen – CEE)**

A joint initiative by GDF SUEZ and all the European trade unions set up on March 6, 2009, it aims to develop and reinforce social dialog, and ensure balanced representation from the Group's structures and business lines.

Working groups have been set up in each business line and SUEZ ENVIRONNEMENT can address, together with all its European representatives, corporate issues such as jobs, training, mobility, gender equality, health, safety and unemployment insurance.

- **The France Group Committee**

Formed on June 2, 2009, it specifically represents French entities.

Elected or appointed committees within all SUEZ ENVIRONNEMENT entities in France and abroad make decisions in accordance with local regulations on topics that concern them directly and are essential to the Group's present and future operations.

Group social agreements

Among the many agreements that SUEZ ENVIRONNEMENT entities and GDF SUEZ have entered into, some are key:

Within France:

- Implementation of the Group Retirement Savings Plan (PERCO);
- Agreement on seniors' jobs and careers;
- Prevention of psychosocial risks by improving the quality of life in the workplace.

Within Europe:

- Job and skills management.

Worldwide:

- Fundamental health and safety principles;
- Agreement on fundamental rights, social dialog and sustainable development.

17.1.4 DIVERSITY AND EQUAL OPPORTUNITIES

In the strong belief that equal opportunity is a driving force for companies and that it has a positive effect on performance, SUEZ ENVIRONNEMENT treats diversity as a priority in its HR policy.

The diversity and social development program "Equal opportunities, social progress, commitment" will be implemented through 2010-2012.

SUEZ ENVIRONNEMENT's presence in nearly 70 countries on the five continents is a testimony to the importance it places on diversity of profiles, talents, sensitivities and know-how.

The appropriation of this reality by our people, combined with commitment at the highest levels of the Company, will guarantee success.

We have identified five lines of development:

- access to employment and insertion;
- employment for seniors;
- hiring and careers for women;
- hiring and support for people with disabilities;
- commitment and quality of life in the workplace.

Having identified this framework, we have set quantitative targets in each of these areas to be reached by 2012.

Equality of opportunity is not only a performance lever but also an important differentiating factor:

- it meets customers' expectations;
- it promotes innovation through a gathering and mixing of different skills;
- it projects a culture of openness to the outside world, thus portraying us as an attractive company;
- it helps build SUEZ ENVIRONNEMENT's identity internally as well as externally.

The first initiatives are already underway:

- SITA Rebond is promoting insertion in the Waste business, with 56% of people who benefited from this support having found permanent jobs;
- The objective of the "*Maison pour Rebondir*" center is to assist people with difficulties, create social links and revitalize economically depressed neighborhoods;
- Hiring targets for seniors and women to be achieved by 2012;
- A firm commitment to develop support for people with disabilities, citing as an example Lyonnaise des Eaux (the number of disabled in its workforce rose from 2.4% to 5.2% in four years).

17.1.5 HEALTH – SAFETY – QUALITY OF LIFE IN THE WORKPLACE

Health & Safety results in 2010 were uneven, with the Group not achieving its targets.

The frequency rate across the Group rose by 0.93 point against 2009, with the severity rate also worsening by 0.04 point.

Strong results obtained in Water activities were not able to offset the marked deterioration in the Waste segment especially in France.

Claims also increased in industrial services.

A new phase in the Health & Safety progress program was launched emphasizing industrial safety and the classification of new risks.

New entities were satisfactorily integrated into the Group's scope, confirming the maturity of the process.

Staff training continued apace, especially internationally with nearly 400 executives participating in 2010.

17.2 SOCIAL INFORMATION

17.2.1 BREAKDOWN OF EMPLOYEES

As of December 31, 2010, the Group had 79,554 employees, up 13,659 or 21% over year-end 2009. This change may be broken down as follows:

- 12,700 increase due to the following scope effects:
  - entry into the scope of consolidation of the Agbar Group (10,552 employees) and of the entities resulting from the unwinding of the previously jointly held companies with Veolia Environnement (1,545 employees);
  - tuck-in acquisitions (603 employees), largely carried out by SITA France.
- organic growth (959 employees or 1.5%).

BREAKDOWN OF WORKFORCE BY GEOGRAPHIC AREA

	2008	2009	2010	2010 %
France	32,835	32,398	34,948	43.9%
Europe (excluding France)	22,176	21,295	32,347	40.7%
North America	3,250	3,281	3,347	4.2%
South America	222	269	252	0.3%
Africa/Middle East	3,948	4,479	4,377	5.5%
Asia/Oceania	2,951	4,173	4,283	5.4%
TOTAL (XXX)*	**65,382**	**65,895**	**79,554**	**100.0%**

* *See meaning of (XXX) in Section 17.2.4: Methodology factors in the social report.*

The consolidation of Agbar led to a marked reduction in the variance between the number of employees based in France and those based in the rest of Europe: France now represents 43.9% of the Group's workforce and the rest of Europe represents 40.7%. The proportion of the Group's total workforce that was based outside Europe markedly declined between the end of 2009 (18.5%) and the end of 2010 (15.4%) although absolute numbers increased.

France, where the Group's workforce increased by 7.9% against 2009, remains the largest country in terms of staffing (34,948 employees or 43.9% of the total), ahead of Spain (10,917 or 13.7%), the United Kingdom (6,334 or 8.0%), Germany (4,020 or 5.1%) and Morocco (3,994 or 5.0%).

BREAKDOWN OF WORKFORCE BY SOCIO-ECONOMIC CATEGORY

	2008	2009	2010	2010 %
Executives (XXX) *	8,358	8,649	10,665	13.4%
Senior technicians and supervisors (XXX) *	12,420	12,302	15,089	19.0%
Workers, employees, technicians (XXX) *	44,604	44,944	53,800	67.6%
TOTAL	**65,382**	**65,895**	79,554	**100.0%**

* *See meaning of (XXX) in Section 17.2.4: Methodology factors in the social report.*

The proportion of executives has been increasing for several years, from 12.8% in 2008 to 13.4% in 2010.

The 34,948 employees in France can be broken down as follows: 5,543 executives (15.9%), 6,602 senior technicians and supervisors (18.9%) and 22,803 workers, employees and technicians (65.2%).

PERCENTAGE OF WOMEN IN THE GROUP

	2008	2009	2010
Proportion of women in the total workforce (XXX) *	18.2%	18.5%	19.4%
Proportion of women in management (XX) *	23.7%	24.2%	25.6%

* *See meaning of (XX) and (XXX) in Section 17.2.4: Methodology factors in the social report.*

The percentage of women increased both in terms of the total population and as a percentage of executives. This was primarily due to the entry of Agbar, which has a higher female percentage than the rest of the Group. Excluding Agbar, the ratios were 18.8% (of total workforce) and 24.8% (of executives), an increase of 0.3 and 0.6 percentage point respectively on 2009.

In France, women made up 21.0% of the total workforce and 27.7% of executives.

BREAKDOWN OF WORKFORCE BY CONTRACT TYPE

	2008	2009	2010
Permanent contracts	91.8%	92.3%	91.3%
Other contracts	8.2%	7.7%	8.7%

The proportion of employees on permanent contracts was 91.3%, which demonstrates the Group's desire to retain its staff for the long term. In Europe, several Group subsidiaries hire their new employees on fixed-term contracts initially, although a large majority of them move onto permanent contracts.

At the end of 2010, permanent contracts proportion declined by 1% compared to 2009 (91.3% versus 92.3%, down 1.0 percentage point), mainly reflecting:

- the consolidation of Agbar: in line with most Spanish companies, Agbar employs a major proportion of its workforce on fixed-term contracts, more so than the rest of the Group. Excluding Agbar, 92.0% of the workforce was on permanent contracts.
- the change in the number of part-time learning contracts: in accordance with its goals, the Group increased its number of such contracts. On a like-for-like basis, the proportion of part-time learning contracts increased from 1.6% at 2009-end to 1.7% at 2010-end.

The ratio of permanent employees to total workforce in France (92.1%) was higher than the average for the Group.

BREAKDOWN OF WORKFORCE BY AGE RANGE (PERMANENT EMPLOYEES ONLY)

	2008	2009	2010
under 25 (XX) *	4.2%	3.6%	3.1%
25 – 29 (XX) *	9.7%	9.6%	9.4%
30 – 34 (XX) *	11.9%	11.7%	12.3%
35 – 39 (XX) *	15.8%	15.2%	15.0%
40 – 44 (XX) *	17.2%	16.9%	16.7%
45 – 49 (XX) *	15.9%	16.5%	16.6%
50 – 54 (XX) *	13.0%	13.6%	13.7%
55 – 59 (XX) *	8.9%	9.3%	9.5%
60 – 64 (XX) *	2.9%	3.1%	3.2%
Over 65 (XX) *	0.5%	0.5%	0.5%

* *See meaning of (XX) in Section 17.2.4: Methodology factors in the social report.*

Average age was 43, ranging from 37 to 48 depending on the subsidiary.

Employees 50 years of age and over represented an increasing proportion of the total workforce continuing the trend of recent years, rising from 25.3% in 2008 to 26.9% in 2010.

17.2.2 EMPLOYMENT AND WORKING CONDITIONS

HIRING

	2008	2009	2010
Number of people hired externally under permanent contracts	7,169	4,709	5,906
Number of people hired externally under fixed-term contracts	5,313	5,498	10,316
Hiring rate * (XX) ***	19.5%	15.7%	20.6%
Hiring rate under permanent contracts **	57.4%	46.1%	36.4%

* *Hiring rate: Number of people hired under permanent and fixed-term contracts/average workforce*

** *Hiring rate under permanent contracts: Number of people hired under permanent contracts/Number of people hired under permanent and fixed-term contracts*

*** *See meaning of (XX) in Section 17.2.4: Methodology factors in the social report.*

After declining by a third in 2009 due mainly to the slowdown in the activity of the Waste Europe segment, hires on permanent contracts increased again in 2010 to reach 5,906 (up 25.4% on 2009). Although a large part of this change was due to a scope effect (Agbar hiring 674 staff on permanent contracts), the organic change in this indicator remains clearly positive (523 additional hires, up 11.1%).

Hires on fixed-term contracts also increased significantly by 4,818 or 87.6%, mainly due to:

- a change in Sweden's labor laws impacting how these movements in our Swedish subsidiary are accounted, increasing the number of hires defined as fixed-term by 3,020;
- the consolidation of Agbar, which hired 1,228 fixed-term contract employees in 2010.

In France, the Group hired 5,821 staff in 2010, consisting of 1,988 on permanent contracts and 3,833 on fixed-term contracts. The overall hiring rate was 17.0% and the hiring rate on permanent contracts was 34.2%. Note that the number of permanent hires was up 34.1% on 2009.

EMPLOYEE TURNOVER

	2008	2009	2010
Turnover * (XX)	8.4%	7.4%	6.5%
Voluntary turnover ** (XX) ***	5.2%	3.3%	3.0%

* *Employee turnover: Number of layoffs and resignations/Average workforce*

** *Voluntary employee turnover: Number of resignations/Average workforce*

*** *See meaning of (XX) in Section 17.2.4: Methodological factors in the social report.*

While the workforce increased by 21%, the number of resignations and layoffs remained steady which accounts for the significant decline in employee turnover.

In France, overall turnover was 4.3% and voluntary turnover was 1.7%.

WORKING CONDITIONS

	2008	2009	2010
Overtime rate *	5.0%	4.9%	4.4%
Proportion of part-time workers among total workforce	4.5%	4.3%	4.6%

* *Overtime rate: Number of overtime hours / Number of hours worked*

In France, overtime represented 2.5% of the total number of hours worked, and 4.3% of its workforce were part-time workers.

ABSENTEEISM

	2008	2009	2010
Absenteeism (days absent/person)	14.7	12.1	12.2

Based on a theoretical eight-hour working day, average absenteeism per employee was 12.2 days in 2010, in line with the average in 2009.

The Group generally believes that absenteeism is insignificant because it includes absences of all kinds, including illness and unpaid vacation days worldwide. This rate is therefore dependent upon the social systems and local situations (especially weather) in the various countries.

In France, average absenteeism per employee was 12.8 days.

DISABLED WORKERS

	2008	2009	2010
Percentage of disabled / workforce at end of period	1.5%	1.5%	1.5%
of which, France	1.9%	2.1%	2.3%
of which, Germany	4.1%	4.1%	4.2%

The number of disabled workers is an indicator difficult to track at the Group level, insofar as the notion of disabled worker is not clearly defined in every country where the Group is active.

At the end of 2010, the Group had 1,210 disabled workers, 100 of whom had been hired that year. Most (80%) disabled employees counted work in France or Germany, two countries where the Group's presence is significant and where specific laws on this subject have long been applied.

TEMPORARY WORKERS

	2008	2009	2010
Average temporary workforce (FTEs)	6,493	6,396	7,322
As a % of average contractual workforce expressed in FTEs	10.5%	10.0%	9.6%

The main reasons for employing temporary workers are temporary hiring difficulties, and replacement of absent employees. Temporary workers are hired primarily in the Waste segment.

In France, Group entities employed a total of 3,252 temporary workers, representing 9.7% of the contractual workforce.

WORKPLACE SAFETY

	2008	2009	2010
Number of fatal accidents (employees) (XX) ***	2	4	5
Frequency rate * (XX)	17.45	15.35	16.28
Severity rate ** (XX)	0.65	0.64	0.68

* *Frequency rate: number of accidents with sick leaves x 1,000,000/number of hours worked.*

** *Severity rate: number of days compensated x 1000/number of hours worked.*

*** *See meaning of (XX) in Section 17.2.4: Methodological factors in the social report.*

2010 did not see SUEZ ENVIRONNEMENT achieve its objectives. The accident frequency rate was 16.28 against a target of 13.8, and the severity rate was 0.68 against a target of 0.60.

H&S (Health and Safety) results in our Waste segment worsened:

- the frequency rate rose from 21.48 in 2009 to 22.95 in 2010;
- the severity rate rose from 0.93 to 0.98.

when H&S results in the Water segment improved in line with our targets:

- the frequency rate declined from 5.45 in 2009 to 4.86 in 2010;
- the severity rate remained steady at 0.18, which is very low.

17.2.3 TRAINING

	2008	2009	2010
Percentage of workforce trained (XXX) *	57.2%	59.7%	61.2%
DISTRIBUTION OF TRAINED WORKFORCE BY GENDER			
Women	19.7%	18.7%	19.1%
Men	80.3%	81.3%	80.9%
DISTRIBUTION OF TRAINED WORKFORCE BY CATEGORY			
Executives	15.6%	15.1%	15.0%
Senior technicians and supervisors + Workers, employees and technicians	84.4%	84.9%	85.0%
Training expenses per trained person (€/pers)	820	579	532
Number of training hours per trained person (hr/pers) (XXX) *	24	23	26
Number of training hours per trained woman (hr/pers)	22	26	25
DISTRIBUTION OF TRAINING HOURS BY TOPIC			
Operational technical training	31.1%	30.6%	28.4%
Quality, Environment, Safety	39.7%	41.7%	36.6%
Languages	6.4%	4.1%	5.2%
Other	22.9%	23.6%	29.8%

* *See meaning of (XXX) in Section 17.2.4: Methodological factors in the social report.*

In 2010, the workforce training effort increased against previous years with each employee on a course receiving an average of 26 hours training (3 hours more than in 2009) and over 61% of employees overall receiving training (less than 60% in 2009).

The distribution of workforce trained by gender and category is consistent with the distribution of total headcount by these same criteria.

In France, 63.2% of the workforce received training at an average cost of €702 per person, and the number of hours per employee trained was in line with the Group average, at 25 hours.

17.2.4 METHODOLOGICAL FACTORS IN THE 2010 SOCIAL REPORT

SCOPE

The employment analyses carried out in this report correspond solely to fully consolidated (FC) entities, companies that SUEZ ENVIRONNEMENT COMPANY controls in terms of share capital and management. When a company is fully consolidated in the financial statements of SUEZ ENVIRONNEMENT COMPANY, 100% of its social data are included, regardless of the percentage of share capital held.

Each indicator is assigned a reporting scope reflecting the coverage of the indicator in question, as a percentage of Group workforce (workforce of the companies fully consolidated in the SUEZ ENVIRONNEMENT COMPANY financial statements). Indeed, some companies may not have communicated their data, or the information that they have posted may contain inconsistencies, thereby leading us to exclude the data in question from the reporting scope. In 2010, the reporting scope was 100% for all non-training indicators and fluctuated between 90% and 98% for training-related indicators. A breakdown of reporting scope rates by indicator is available upon request.

TOOLS AND METHODS

Social reporting is based on:

- a network of 220 individuals around the world who collect and monitor their own entities' indicators at each quarterly HR reporting campaign. This provides feedback through approximately 250 (FC) reporting packages every quarter, corresponding to data from over 400 companies;
- the "User Guide" which consolidates all definitions and procedures comprising the Group's common reference system, i.e. some 50 primary indicators with various collection criteria (age, gender, etc.) producing approximately 250 social criteria. This guide is translated into six languages – German, English, Spanish, Dutch, Polish and Portuguese – and is distributed to all contributors;
- Magnitude, a financial consolidation software application based on a dedicated social indicators package, enables the collection, processing, and reporting of data entered by the local legal entities, subsidiaries of the Group. The financial consolidation method is attributed to each of these entities, including in the HR phase: full consolidation (FC), proportional consolidation (PC), and equity method (EM). An online self-training tool for Magnitude is available to contributors.

CONSOLIDATION AND INTERNAL CONTROL

Once collected, the data is consolidated by the subsidiaries and the Group Human Resources Division, in accordance with clearly defined procedures and criteria. This data is controlled internally during the following stages:

- automated controls: the Magnitude package comprises a certain number of automated controls that allow contributors to ensure the reliability of the information captured at the level with the greatest detail. Contributors also have access to the comments sections where they can explain significant changes or circumstances specific to their entity;
- subsidiary-level controls: the major subsidiaries control the consistency of the data they have provided;
- controls at Group HRD (Human Resources Division) level: Group HRD applies consistency controls to the data of all the entities. These controls consist specifically of analyzing changes in indicators from one period to another. In the event of a significant change, the contributor in question is asked to provide a more in-depth analysis, which may result in a correction.

METHODOLOGY DEFINITIONS AND LIMITS

We would like to highlight the following points in relation to the data published in this report:

- Unlike HR reports, Health and Safety reports take into account operational control and data reliability criteria. As a result, there is a slight difference in the scope of the employees covered by the two reporting methods. Begun in 2009, the work of reconciling data from the Health and Safety network with data from the HR reporting network continued in 2010, with the effect of reducing or explaining the variances between the two data sets;
- The breakdown of workforce by geographical area is in line with the reporting segments used in the IFRS financial statements. Accordingly, some Agbar companies located outside Europe are assigned to Spain. This affects approximately 2,800 employees;
- With regard to deadlines, the data related to training and hours worked is not always finalized and therefore relates only to the most recent situation. Note that the data collected for Agbar (10,552 employees) is as at November 30, 2010 because the data for December 31, 2010 was not yet available;
- the social data for the Agbar Group retroactively covers the entire year based on Agbar's scope at the moment that it switched to full consolidation.

EXTERNAL AUDIT

As in previous years up to 2007, the Group engaged the specialized services of the statutory auditor to verify four HR indicators for 2008. In 2009, the Group renewed this request and increased the number of verified indicators to 14. These are identified by the special characters XXX (reasonable assurance) and XX (moderate assurance) in the above tables. The type of work carried out and the conclusions of the statutory auditors will be available in the 2010 Activity and Sustainable Development Report.

17.3 STOCK OPTION AND BONUS SHARE ALLOCATION PLANS

STOCK OPTION 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 executives 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.

Accordingly, 2,823,900 SUEZ ENVIRONNEMENT COMPANY options were awarded to 976 beneficiaries, excluding the Chief Executive Officer, with an exercise price of €14.20 per option. The grant was subject to a four-year service condition and also to certain performance conditions. Two cumulative 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 result between 2010 and 2013 inclusive.

How these criteria are applied varies according to the profile of the beneficiary. They are the most demanding for members of the Management Committee and Executive Committee as well as for Group Top Executives.

The Chief Executive Officer was also allocated 120,300 stock options. The corresponding conditions are described in Section 15.1.1 of this Reference Document.

PERFORMANCE SHARE PLAN OF DECEMBER 16, 2010

At its meeting of December 16, 2010 the Board of Directors of SUEZ ENVIRONNEMENT COMPANY also approved a performance bonus share plan and set its main characteristics to support two key objectives. First, to supplement the stock option plan decided at the same meeting and, second, to allocate performance shares to high-achievers who are not beneficiaries of the stock option plan.

This plan benefitted 2,123 employees representing 805,020 performance shares, with a vesting period of two to four years depending on the country and beneficiary. In France the shares were also subject to a 2-year lock-in period.

These performance share allocations are also subject to certain performance conditions.

For the beneficiaries who were allocated stock options per the decision taken at that meeting, the following two cumulative performance criteria apply:

- a market performance condition based on a comparison of the SUEZ ENVIRONNEMENT COMPANY share price with the average performance of the CAC 40 and Eurostoxx Utilities indices over the period December 15, 2010 to December 15, 2014;
- an internal performance condition in terms of total recurring net Group income between 2010 and 2013 inclusive.

How these criteria are applied varies according to the profile of the beneficiary. They are the most demanding for members of the Management Committee and Executive Committee as well as for Group Top Executives.

For the 1,147 beneficiaries who received only performance shares, all allocated shares are subject to an internal performance condition based on the Group's EBITDA between 2011 and 2012 inclusive.

The Chief Executive Officer was also allocated 24,060 performance shares. The corresponding conditions are described in Section 15.1.1 of this Reference Document.

GDF SUEZ PERFORMANCE SHARE PLAN OF JANUARY 20, 2010

In addition to the plans described above, the GDF SUEZ Board of Directors on January 20, 2010 approved the allocation of 9,660 performance shares to the SUEZ ENVIRONNEMENT COMPANY corporate officer who is also a member of the Executive Committee of GDF SUEZ. The corresponding conditions are described in Section 15.1.1 of this Reference Document.

STOCK OPTIONS AND BONUS SHARES GRANTED TO THE FIRST TEN ELIGIBLE NON-CORPORATE OFFICERS

The largest awards of stock purchase options and allocations of SUEZ ENVIRONNEMENT COMPANY bonus shares to Group employees are shown in the following table:

STOCK OPTIONS GRANTED TO THE FIRST TEN ELIGIBLE NON-CORPORATE OFFICERS AND OPTIONS EXCERCISED BY THEM (OVERALL INFORMATION)	Total number of options allocated / shares subscribed or purchased	Weighted average exercise price	Date of Plan
Options granted by the issuer or a company within the scope of option allocation during the fiscal year (largest allocations to the ten employees of the issuer or any company within this scope) – (global information)	302,000 options	€14.20	12/16/2010
Bonus shares awarded by the issuer or a company within the scope of share allocation during the fiscal year (largest allocations to the ten employees of the issuer or any company within this scope) – (global information)	60,400 shares	N/A	12/16/2010
Options held by the aforementioned issuer and companies, exercised during the fiscal year by the ten employees of the issuer or these companies (highest number of shares purchased or subscribed)	NONE	NONE	

The history of the SUEZ and then GDF SUEZ stock options granted to SUEZ ENVIRONNEMENT Group employees is shown in Section 20.1 Notes 23.1.2 and 23.3.1 of this Reference Document.

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

17.4 EMPLOYEE INCENTIVES AND PROFIT SHARING (FRANCE)

Each subsidiary of the Group in France has implemented Profit-Sharing agreements (pursuant to the mandatory provisions of French law). Incentive bonus agreements (optional in France) have also been implemented within the following companies: SUEZ ENVIRONNEMENT SAS, Degrémont, Lyonnaise des Eaux France, Eau et Force, OIS, and approximately 30% of the French subsidiaries of SITA France.

These arrangements for 2009 produced the following results in 2010:

- €24 million was paid out under profit-sharing agreements, benefiting 25,363 employees at an average of approximately €950 per beneficiary;
- At the same time, €21.6 million was paid out under incentive agreements, benefiting 21,201 employees at an average of slightly over €1,000 per beneficiary.

In total, these two measures represented €45.6 million, i.e., 4.7% of the gross payroll of the companies concerned, in line with the €45.7 million paid out in 2009.

17.5 EMPLOYEE SHAREHOLDING

GDF SUEZ EMPLOYEE SHARE ISSUES

In addition to 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".

Two subscription plans were offered: one was a "classic" plan exposed to fluctuations in the GDF SUEZ share price, the other was a leveraged plan with guaranteed-capital. Employees benefited from a 20% discount on the share price. Under the classic option they also benefited from an employer's contribution in the form of free bonus shares on the following basis: for the first 10 shares subscribed, 1 free share per share subscribed; and for the next 40 shares, 1 free share per 4 shares subscribed, subject to a maximum of 20 free shares for 50 shares subscribed.

For legal and tax reasons, supplemental free shares were allocated differently in France than outside France:

- In France, in accordance with article L. 3332-21 of the French labor code and the authorization in Resolution 17 of the GDF SUEZ Shareholders' Meeting of July 16, 2008, free shares were allocated by GDF SUEZ in place of the employer's contribution;

- Outside France, employees received a free share entitlement with the number of free shares dependent on the number of shares subscribed under the classic option and an employer's contribution calculated on a basis similar to that cited above. The free share entitlement was allocated in accordance with the provisions of article L. 225-197-1 and following of the French commercial code and the authorization in Resolution 15 of the GDF SUEZ Shareholders' Meeting of May 4, 2009. The GDF SUEZ Board of Directors set the allocation conditions and approved the free share allocation plan on May 3, 2010.

SUEZ EXCEPTIONAL BONUS

In November 2006, the former 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 and the initial public offering of SUEZ ENVIRONNEMENT COMPANY, the calculation is based on a basket consisting of one GDF SUEZ share and one SUEZ ENVIRONNEMENT COMPANY share. The Plan expired on June 1, 2010. The terminal value of the premium was set at €141.6 and paid out between June 1 and September 1, 2010, depending on the subsidiary, to employees who satisfied the plan conditions.

DELIVERY OF BONUS SHARE PLANS IMPLEMENTED BY SUEZ IN 2008

In May 2008, the former SUEZ Group's Board of Directors approved a global bonus share allocation plan to give all its employees a stake in the group's success and a greater share of its capital.

Accordingly, SUEZ ENVIRONNEMENT employees were allocated 16 free shares subject to being in service on the vesting date and performance targets for years 2007-2009. The free shares were to be delivered at the end of a vesting period of 2 to 4 years, depending on the country.

On March 2, 2010 the GDF SUEZ Board of Directors reviewed the plan's performance condition and approved the delivery of 10 free shares under the ex-SUEZ Group plan. SUEZ ENVIRONNEMENT beneficiaries satisfying the plan's service requirement who were due to receive their shares on June 1, 2010 consequently received 10 GDF SUEZ shares. These shares were registered in an account in the beneficiary's name and, depending on the country, were subject to a lock-in period. In France, beneficiaries could also opt to invest their shares into the GDF SUEZ Group Savings Plan.

17.6 PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

A description of the pensions and other employee benefit obligations appears in note 17 to the consolidated annual financial statements (section 20.1).

18 MAJOR SHAREHOLDERS

CONTENTS

18 MAJOR SHAREHOLDERS

18.1 BREAKDOWN OF SHARE CAPITAL AT DECEMBER 31, 2010

On December 31, 2010 the Company's share capital totaled €1,958,796,240. It consisted of 489,699,060 shares with a nominal value of €4 each representing 489,699,060 voting rights.

At December 31, 2010 the number of shares without voting rights (shares held by the Company within the framework of the share purchase program described in Section 21.1.3 of this Reference Document) totaled 2,164,492 hence the total number of exercisable voting rights of 487,534,568.

The voting rights of the major shareholders of the Company are no different from those of other shareholders.

The following table shows the number of shares and percentages of capital and voting rights held by the Company's principal shareholders based on information available on the date this Reference Document was prepared.

	At December 31, 2010			At December 31, 2009			At December 31, 2008		
Shareholders	**Number of shares held**	**% of shares held**	**% of voting rights**	**Number of shares held**	**% of shares held**	**% of voting rights**	**Number of shares held**	**% of shares held**	**% of voting rights**
GDF SUEZ	173,406,974	35.41%	35.57%	173,406,974	35.41%	35.43%	173,406,974	35.41%	35.51%
Groupe Bruxelles Lambert	35,001,610	7.15%	7.18%	35,001,610	7.15%	7.15%	35,001,610	7.15%	7.17%
Caisse des Dépôts et Consignations	9,599,359	1.96%	1.97%	9,599,359	1.96%	1.96%	9,599,359	1.96%	1.97%
Areva	6,906,750	1.41%	1.42%	6,906,750	1.41%	1.41%	6,906,750	1.41%	1.41%
CNP Assurances	6,191,630	1.26%	1.27%	6,191,630	1.26%	1.27%	6,191,630	1.26%	1.27%
Sofina	4,125,000	0.84%	0.84%	4,125,000	0.84%	0.84%	4,125,000	0.84%	0.84%
Total held by shareholders parties to the Shareholders' Agreement *	**235,231,323**	**48.04%**	**48.25%**	**235,231,323**	**48.04%**	**48.07%**	**235,231,323**	**48.04%**	**48.17%**
Treasury shares	2,164,492	0.44%	0.00%	301,000	0.06%	0.00%	1,350,000	0.27%	0.00%
Free float and employee shareholders	252,303,245 (1)	51.52% (2)	51.75% (2)	254,166,737 (3)	51.90% (4)	51.93% (4)	253,117,737	51.69%	51.83%
TOTAL	**489,699,060**	**100%**	**100%**	**489,699,060**	**100%**	**100%**	**489,699,060**	**100%**	**100%**

* *See Shareholders' agreement filed with the AMF on June 6, 2008 (D&I 208C1189 of June 20, 2008) and explained in detail in Section 18.3 below.*

(1) *Of which 53,118,508 are held by Capital Research and Management.*

(2) *Of which 10.85% of the share capital and 10.89% of voting rights are held by Capital Research and Management.*

(3) *Of which 24,859,713 are held by Capital Research and Management.*

(4) *Of which 5.08% of the share capital and voting rights are held by Capital Research and Management*

On January 6, 2010 Capital Research and Management declared that on January 1, 2010 it had exceeded the thresholds of 10% of the share capital and voting rights of SUEZ ENVIRONNEMENT COMPANY by holding 53,118,508 shares of the Company representing the same number of votes i.e. 10.85% of the share capital and 10.89% of voting rights.

Capital Research and Management's increase in share capital and voting rights as of January 1, 2010 was not the result of an acquisition of shares but rather from delegations for the exercise of voting rights by certain mutual funds (OPCVMs) managed by Capital Research and Management Company, which had previously decided to exercise such rights independently.

Under the terms of this declaration published by the AMF (French Financial Markets Authority) on January 7, 2010 Capital Research and Management stated that the Company's total share capital and voting rights was within the normal scope of its activity as a portfolio management company without any intent to implement any particular strategy or to exercise thereby any particular influence over SUEZ ENVIRONNEMENT COMPANY. It declared it was not acting in concert with a third party and did not intend to take control of the Company nor request an appointment as a director.

Other than the instance described above, no other breach of the legal upper or lower threshold was notified to the Company for 2010.

GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva and CNP Assurances are parties to a shareholders' agreement entered into on June 5, 2008 subject to a notice published by the AMF on June 20, 2008, the stipulations of which are described in section 18.3 of this Reference Document and which on July 22, 2008 after its listing on the stock market held 47.16% of the share capital.

In a letter dated August 22, 2008 and published August 26, 2008 GDF SUEZ acting in its capacity as manager of the shareholders' agreement informed the Autorité des Marchés Financiers that upon completion of the so-called thirty-day stabilization period i.e. August 20, 2008 after the close of trading on the stock market, GDF SUEZ, Caisse des Dépôts et Consignations, CNP Assurances, Groupe Bruxelles Lambert, Areva and Sofina together held 235,231,309 shares of the Company representing the same number of voting rights i.e. 48.04% of the Company's share capital and voting rights.

Pursuant to Article L. 233-13 of the French Commercial Code and to the knowledge of SUEZ ENVIRONNEMENT COMPANY, on December 31, 1210 there were no shareholders other than those mentioned above directly or indirectly or together holding 5% or more of the share capital or voting rights. We note that in the context of the contribution to SUEZ ENVIRONNEMENT COMPANY in 2008 of the SUEZ ENVIRONNEMENT shares that it held, GDF SUEZ obtained approval from the tax authorities to benefit from the favorable tax regime stipulated in Articles 210 A and 115-2 of the General Tax Code provided that it keeps the SUEZ ENVIRONNEMENT COMPANY shares received in exchange for such contribution for three years after the listing for trading on Euronext Paris of the SUEZ ENVIRONNEMENT COMPANY shares. As a consequence of the merger between GDF and SUEZ, GDF took on the rights and obligations of SUEZ and to this end assumed the obligation to keep the SUEZ ENVIRONNEMENT COMPANY shares described in this paragraph.

The other parties to the shareholders' agreement described in section 18.3.1 of this Reference Document are also committed to keep the Company shares allocated to them by SUEZ for this same period in their capacities as shareholders of the latter within the framework of the Spin-off/Distribution transaction.

18.2 MAJOR SHAREHOLDERS' VOTING RIGHTS

Each Company share entitles the holder to one voting right.

18.3 COMPANY CONTROL – SHAREHOLDERS' AGREEMENT

18.3.1 SHAREHOLDERS' AGREEMENT

GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva and CNP Assurances as well as the Company concluded a Shareholders' agreement on June 5, 2008 in respect of their shareholding in the Company for a renewable five-year term to run from the date of approval of the Spin-off/Distribution, namely July 15, 2008, and which specifically provides for:

- the composition of the Board of Directors, with nine directors appointed at the proposal of GDF SUEZ, four independent directors appointed by mutual agreement of the parties at the proposal of the Chairman of the Board of Directors (reduced to three in the event of the appointment of a director representing employee shareholders), two directors appointed at the proposal of Groupe Bruxelles Lambert, one director appointed at the proposal of Areva, one director appointed at the proposal of CNP Assurances and one director appointed at the proposal of Sofina;
- the appointment of the Chairman of the Company by the Board of Directors, at the proposal of GDF SUEZ, and the appointment of the Company Chief Executive Officer by the Board of Directors at the proposal of the Chairman;
- the creation and composition of four committees of the Board of Directors (Audit and Financial Statements Committee, Nominations and Compensation Committee, Ethics and Sustainable Development Committee and Strategic Committee);
- passing decisions of the Board of Directors by a simple majority of its members with the Chairman having the casting vote in cases of a tie vote, with the exception, in particular, of decisions affecting the share capital or amending the bylaws or relating to any extraordinary payment of dividends which are to be passed by a qualified majority of two thirds of the members of the Board of Directors;
- an obligation for consultation among the shareholders that are parties to the agreement prior to any meeting of the Board of Directors and a shareholders' meeting called to make an important decision;
- a reciprocal right of first refusal between the parties to the agreement applicable to any sale of shares in the Company under consideration (with the exception of free disposals including in particular sales by a shareholder involving less than 10% of its stake on the last day of the month preceding the sale in question, calculated over a period of 12 months) based on the following terms and conditions and orders of priority:
  - in the event of a contemplated sale of shares by GDF SUEZ, a preemptive first-rank right of first refusal in favor of each of the other parties to the agreement as well as a second-rank right of first refusal in favor of the Company;
  - in the event of a contemplated sale of shares by one of the other parties to the agreement, a first-rank right of first preemptive refusal in favor of each of the other parties (excluding GDF SUEZ), a second-rank right of first refusal in favor of GDF SUEZ and a third-rank preemptive right of first refusal in favor of SUEZ ENVIRONNEMENT COMPANY;
- the obligation for each party to provide notification of any contemplated acquisition of shares in the Company to GDF SUEZ, who is acting as administrator of the agreement;
- the prohibition imposed on the parties to the agreement from purchasing shares which could result in either an obligation to file a tender offer or for the shareholders acting in concert to file a tender offer with share price guarantee for SUEZ ENVIRONNEMENT COMPANY; and
- a tag-along right in favor of the other parties to the agreement in the event GDF SUEZ were to sell a majority of its interest in SUEZ ENVIRONNEMENT COMPANY.

The agreement shall be terminated before its term in the event that (i) all the shares held by the parties to the agreement represent less than 20% of the Company's share capital or (ii) GDF SUEZ is no longer the leading shareholder in the joint control circle following a divestment of shares under the provisions relating to the right of first refusal. Furthermore in the event that a party should come to hold less than a third of its initial stake, then the agreement will be terminated as far as it is concerned but will remain in force and effect for the other parties.

The shareholders' agreement constitutes a joint control as defined by Article L. 233-10 of the French Commercial Code within which GDF SUEZ plays a leading role. The provisions of the agreement and specifically GDF SUEZ's right to appoint half the members of the Board of Directors, in which the Chairman has a casting vote, as well as the appointment of the Company's Chief Executive Officer at the Chairman's recommendation, grant GDF SUEZ control of the Company.

As regards possible alterations in the stake held by the parties to the agreement, other than GDF SUEZ, they have indicated that they may contemplate increasing their interest in SUEZ ENVIRONNEMENT COMPANY share capital in the short term and, consequently, they might for a stabilization period of 30 calendar days after the date of the listing of SUEZ ENVIRONNEMENT COMPANY share for trading (depending on whether market conditions are favorable during this stabilization period), acquire shares on the market to the effect that the overall stake held by the companies could reach a level close to 50% of the share capital and voting rights in the Company (but not exceeding that ceiling).

Groupe Bruxelles Lambert undertook acquisitions during this period, allowing it to exceed the 7% ceiling of the Company's share capital and to hold 35,001,610 shares i.e. 7.15% of the share capital.

The shareholders' agreement was submitted to the AMF on June 6, 2008 and published in a notice by the latter on June 20, 2008 (see D&I 208C1189 of June 20, 2008 on the AMF website). The AMF also acknowledged the statement by shareholders, parties to the agreement that they may plan to increase their stake in the share capital of SUEZ ENVIRONNEMENT COMPANY in the short term, during the aforementioned stabilization period. As described in Section 19 of the Reference Document this agreement was amended on December 18, 2008.

18.3.2 FRAMEWORK OF GDF SUEZ'S CONTROL OVER THE COMPANY

GDF SUEZ's control over the Company takes the form of independent Directors on the Board of Directors and Committees pursuant to provisions of the Shareholders' agreement entered into at the time of the Company's listing (see sections 16 and 18.3.1 of the Reference Document), implementation of the recommendations of the AFEP-MEDEF corporate governance report (see section 16.4 of this Reference Document) and a number of agreements formalizing GDF SUEZ's relations with the Company (see section 19 of this Reference Document). These various measures have been designed to prevent abuse of control of the Company.

The "independent director" criteria are set out in the AFEP-MEDEF recommendations. Directors are considered to be independent if they have no relations of any kind whatsoever with SUEZ ENVIRONNEMENT COMPANY, its subsidiaries or management which might compromise the exercise of their freedom of judgment.

Moreover, this control framework guarantees the Company the stability it requires for long-term value creation, particularly through long-term contracts or partnerships, and ensures that all Company shareholders continue to benefit from synergies between the energy and environmental activities.

18.4 AGREEMENT THAT MAY RESULT IN A CHANGE OF CONTROL

None.

18.5 SUMMARY OF TRANSACTIONS MADE BY PERSONS INDICATED IN ARTICLE L. 621-18-2 OF THE MONETARY AND FINANCIAL CODE DURING THE YEAR ENDED DECEMBER 31, 2010

Transactions in 2010 by persons indicated in article L 621-18-2 of the French Monetary and Financial Code.

Name of shareholder	Date of transaction	Nature of transaction	Number of shares	Price/ Share
Jean-Louis Chaussade	05/24/2010	Purchase	1,000	€13.91
Jean-Louis Chaussade	09/01/2010	Purchase	1,000	€12.80
Jean-Marc Boursier *	08/16/2010	Purchase	700	€13.80
Alain Chaigneau	03/15/2010	Sale	1,050	€17.06
Alain Chaigneau	03/15/2010	Sale	325	€17.05
Patrick Ouart	01/22/2010	Purchase	1,441	€16.80

* *Transactions carried out by related individuals.*

Following his resignation as director, Mr. Angel Simón gave back on January 19, 2010 the 2,000 shares that had been lent to him by GDF SUEZ.

The above table is based on information provided to the Company by the directors concerned.

NUMBER OF SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2010

	Number of shares held at December 31, 2010
Gérald Arbola	2,000
Nicolas Bazire	2,000
Dirk Beeuwsaert	3,787 (1)
Gilles Benoist	2,000
Valérie Bernis	2,000 (1)
Harold Boël	5,555 (2)
Alain Chaigneau	2,000 (1)
Jean-Louis Chaussade	5,000
Jean-François Cirelli	2,000 (1)
Lorenz d'Este	2,139
Amaury de Sèze	2,000
Gérard Lamarche	2,589 (1)
Gérard Mestrallet	13,679 (1)
Patrick Ouart	2,000
Guillaume Pepy	2,000
Olivier Pirotte	2,000
Ezra Suleiman	2,260
Jérôme Tolot	34,346 (1)

(1) Of which 2,000 shares as a loan granted by GDF SUEZ.

(2) Of which 3,555 shares received in the context of an inheritance.

This table is based on information provided to the Company by the directors.

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RELATED-PARTY TRANSACTIONS

Parties related to the Company include, among others, the Company's major shareholders, its non-consolidated subsidiaries, companies under joint control (proportionately consolidated companies), related companies (equity affiliates), and entities on which various Company officers exercise at least a significant influence.

A breakdown of transactions with these related parties for fiscal 2009 and 2010, particularly GDF SUEZ and its subsidiaries, appears in Section 20.1, Note 24 of this document. The transactions are not significant on the level of the SUEZ ENVIRONNEMENT Group.

The Report of the Statutory Auditors on the related party agreements and commitments appearing in Section 26.3 of this Reference Document describes the notified transactions.

COOPERATION AND SHARED SERVICES AGREEMENT

On June 5, 2008, SUEZ and the Company entered into a cooperation and shared services framework agreement for a renewable term of five years.

This contract defines the detailed arrangements for future cooperation between GDF SUEZ and the Company. In particular, it sets out the conditions under which GDF SUEZ and the Company, in compliance with their respective corporate interests, principles of good governance, principle of shareholder equality, and the mandate of their governing bodies, intend to continue their close relationships and develop existing synergies between the two companies, with the objective that SUEZ ENVIRONNEMENT COMPANY and its subsidiaries maintain their attachment to GDF SUEZ “group” policies and continue to benefit from centralized services provided by GDF SUEZ and some of its subsidiaries.

The main specifications of this cooperation and shared services agreement are summarized below.

COOPERATION

GDF SUEZ and the Company mutually agree to continue their cooperation, mainly in the areas of strategy, accounting, internal control, audit and risk, finance, tax policy, IT services, and communication.

In terms of strategy, GDF SUEZ and the Company will together identify and analyze the strategic issues for the Company and GDF SUEZ will also maintain, and develop with the Company, monitoring and analytical tools. GDF SUEZ and the Company shall develop a joint global research policy, and shall support the development of joint industrial and commercial projects.

In the field of accounting, internal control, audit and risk, the Company will continue to comply with the accounting principles framework as well as the reporting, analysis and audit policies and principles of the GDF SUEZ Group. A comprehensive and integrated process of planning preparation, resource allocation, and reporting will also be maintained.

In the field of financial and tax policy, to ensure group-wide consistency, joint teams composed of representatives from GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY will manage financial policy and corporate income tax policy globally at group level. Likewise, the implementation of policies governing cash flow, financing, the management of translational financial risks, and of financial vehicles will be centralized. Each of the two entities will nevertheless remain responsible for their own financial and tax policy.

In terms of IT, the Company will comply with IT group governance principles and will take part in group steering committees.

In terms of financial communications, GDF SUEZ and the Company will coordinate their financial communications and sustainable development program as well as their internal communications.

The agreement also contains provisions for cooperation between GDF SUEZ and the Company in the fields of insurance, logistics, procurement, real estate and legal services, and in their relations with public authorities.

HUMAN RESOURCES

The Company and GDF SUEZ have reaffirmed their attachment to the GDF SUEZ group “Social Pact” and to the continued application of the charters and agreements signed within the Group and the policies pursued by the group in respect of internal mobility. The employees of the Company and its subsidiaries will be eligible for future GDF SUEZ stock option and bonus share allotments, as well as future employee shareholder plans. In accordance with their respective interests, GDF SUEZ and the Company will carry out global and integrated management of the careers of current executives and their potential future successors within the group.

SHARED SERVICES

The Company and SUEZ have agreed that the Company will continue to benefit from the centralized services provided by GDF SUEZ and especially the GDF SUEZ expertise centers. Therefore, SUEZ ENVIRONNEMENT COMPANY will be able to use (i) existing shared services (in the fields of IT, consolidation, procurement policy, etc.) and (ii) the tools GDF SUEZ has put in place to manage retirement, employee insurance and benefit systems, and reporting and internal control systems.

SUBSIDIARIES

The cooperation and shared services agreement is also designed to apply to subsidiaries of the Company and GDF SUEZ so that the subsidiaries may benefit directly from the rights granted to their parent companies.

CONDITIONS

Services provided under the cooperation and shared services agreement will be invoiced between SUEZ ENVIRONNEMENT COMPANY (and/or its subsidiaries) and GDF SUEZ at market conditions.

EARLY TERMINATION

The cooperation and shared services agreement will be automatically early-terminated should GDF SUEZ lose control over the Company, subject, where applicable, to transition periods to be determined between the parties on a case-by-case basis.

BRAND NAME LICENSING AGREEMENT

On June 5, 2008, SUEZ and SUEZ ENVIRONNEMENT entered into a brand-name licensing agreement under which SUEZ authorizes SUEZ ENVIRONNEMENT to use the brand name “SUEZ.”

Under this agreement, GDF SUEZ grants SUEZ ENVIRONNEMENT, for a tacitly renewable term of five years, the non-exclusive right to use, at no cost, the brand name “SUEZ” in its company name and in some other brand names. SUEZ ENVIRONNEMENT furthermore is granted the right to award licenses for the use of the brand name “SUEZ” to other Group companies, including SUEZ ENVIRONNEMENT COMPANY.

GDF SUEZ does however retain the right to examine communication and promotional campaigns proposed by SUEZ ENVIRONNEMENT.

FINANCING FRAMEWORK AGREEMENT

On June 5, 2008, SUEZ, SUEZ Finance, the Company and SUEZ ENVIRONNEMENT entered into a framework agreement setting the main arrangements for the financing of the Group for the period 2008-2010.

Under this contract, financing were provided by SUEZ Finance or by any other entity of the GDF SUEZ group so designated by GDF SUEZ. Financing was to be granted to any Group entity on the understanding that the Company or SUEZ ENVIRONNEMENT guaranteed repayment if financing was granted to one of its subsidiaries. The aggregated amount of financing granted was limited to the aggregated amount of the Group’s financing needs as agreed annually between GDF SUEZ and the Company.

Aside from the granting of financing to the Group, the contract stipulated that SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT must undertake, for the whole term of the contract and subject to certain exceptions, not to transfer all or part of their assets without the prior agreement of the GDF SUEZ group or to grant any security on their assets for the purposes of obtaining financing.

This framework contract expired on December 31, 2010. The Company and GDF SUEZ signed a new agreement under the terms of which GDF SUEZ will provide a €350 million credit facility which became effective on January 1, 2011 and will expire in July 2013. This credit facility will be utilized at the prevailing market conditions at the time of any drawdown and its main provisions are identical to those of the master agreement of June 5, 2008. The transaction was approved by the Boards of Directors of the two entities on October 27, 2010 and September 15, 2010, respectively.

GUARANTEES AND COUNTER-GUARANTEES

The Company and GDF SUEZ agree that all commitments involving guarantees, bonds, comfort letters, surety and any other similar commitments granted by GDF SUEZ in respect of commitments made by Company subsidiaries to third parties have been transferred to the Company or any subsidiary acceptable by GDF SUEZ. For any commitments unable to be transferred on this date, the Company, or a subsidiary acceptable by GDF SUEZ, must provide GDF SUEZ with a counter-guarantee .

SHAREHOLDERS' AGREEMENT

The Company is party to a Shareholders' agreement entered into by GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva and CNP Assurances, the main provisions of which are described in Section 18.3 of this Reference Document. The agreement was amended on December 18, 2008.

According to Article 7 of the Shareholders' agreement, the composition of the Board of Directors of the Company and of SUEZ ENVIRONNEMENT (a wholly-owned subsidiary of the Company) must be identical at all times, with a view to a potential merger between these two companies.

In order to simplify the operations of the SUEZ ENVIRONNEMENT Group, the parties to the agreement agreed, through an amendment, to eliminate the obligation to replicate the composition of the Company's governing bodies within the governing bodies of SUEZ ENVIRONNEMENT, and consequently changed the Shareholders' agreement by an amendment signed on December 18, 2008.

The signing of this amendment was authorized in advance by the Company's Board of Directors on October 28, 2008.

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FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL SITUATION AND REVENUES

CONTENTS

20 FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL SITUATION AND REVENUES

20.1 CONSOLIDATED FINANCIAL STATEMENTS

20.1.1 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	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**

In millions of euros	Note	December 31, 2010	December 31, 2009
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.

20.1.2 CONSOLIDATED INCOME STATEMENTS

In millions of euros	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.

20.1.3 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	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.

20.1.4 STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

In millions of euros	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 inequity				(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**

(*) 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.

In millions of euros	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
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 inequity				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.

(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 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.

20.1.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of euros	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.

20.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTENTS

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 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)].

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.

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) Basis of presentation available on the website of the European Commission, http://ec.europa.eu/internal_market/accounting/

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

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 [(1)] prior to January 1, 2010.

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) Formerly Minority Interests.

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 [1] 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 [1] 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 [1];

- Transactions (purchases or sales) of non-controlling interests [1] and which do not involve a change of control are recognized as equity transactions. Consequently, any variance 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) Formerly Minority Interests.

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

	December 31, 2010			December 31, 2009		
In millions of euros	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 of euros	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 of euros	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 of euros	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 of euros	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 of euros	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 of euros	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

	Revenues		Capital Employed	
In millions of euros	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 of euros	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 of euros	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 of euros	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 of euros	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 of euros	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 of euros	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 of euros	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 of euros	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 gain 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 of euros	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 million 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 of euros	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

	December 31, 2010			December 31, 2009		
In millions of euros	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 COST OF NET DEBT

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

In millions of euros	Expenses	Income	Total Dec 31, 2010	Total Dec 31, 2009
Interest expense on gross borrowings	(394.9)	-	**(394.9)**	**(323.5)**
Foreign 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 of euros	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 of euros	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 of euros		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 of euros	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 tangible and intangible assets 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 tangible and intangible assets 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 of euros	December 31 2010	Change	Dec. 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 of euros	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 million deferred 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 of euros	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 tangible and intangible assets 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 tangible and intangible assets 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 tangible and intangible assets 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 of euros	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 million 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 of euros)		
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 euro)		
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 year 2010 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 2009 and reserved for Group employees are based on existing shares (share-based payments are described in Note 23 of this section).

NOTE 9 – GOODWILL

9.1 MOVEMENTS IN THE CARRYING AMOUNT OF GOODWILL

In millions of euros	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 of euros	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 based on actual results at the end of June, on the last forecast of the year taking into account the events occurring in the second half of the year, and on 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 [1]) in the final year of the projections;

[1] *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 of euros	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 of euros	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 of euros	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 of euros	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 of euros	December 31, 2010 Non-current	December 31, 2010 Current	December 31, 2010 TOTAL	December 31, 2009 Non-current	December 31, 2009 Current	December 31, 2009 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:

In millions of euros	Dividends	Remeasurement: Change in fair value	Remeasurement: Impact of exchange rates	Remeasurement: Impairment	Income/(loss) on disposals
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 of euros	December 31, 2010 Non-current	December 31, 2010 Current	December 31, 2010 TOTAL	December 31, 2009 Non-current	December 31, 2009 Current	December 31, 2009 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 of euros	December 31, 2010 Gross	December 31, 2010 Depreciation & impairment	December 31, 2010 Net	December 31, 2009 Gross	December 31, 2009 Depreciation & impairment	December 31, 2009 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 of euros	Interest	Remeasurement post acquisition: Translation adjustment	Remeasurement post acquisition: 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 of euros	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 €52.7 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 of euros	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 of euros	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 of euros	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 (INCLUDING COMMODITIES)

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

	December 31, 2010			December 31, 2009		
In millions of euros	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 of euros	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 of euros	December 31, 2010	December 31, 2009
Liabilities on share purchases	122.1	100.2
Total	**122.1**	**100.2**

13.3 NET DEBT

	December 31, 2010			December 31, 2009		
In millions of euros	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 of euros	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):

	December 31, 2010				December 31, 2009			
In millions of euros	Total	Level 1	Level 2	Level 3	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, interest 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 of euros	
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):

	December 31, 2010				December 31, 2009			
In millions of euros	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 – MANAGEMENT OF 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 of euros	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 of euros	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 investments 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

	December 31, 2010		December 31, 2009	
In millions of euros	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

	December 31, 2010		December 31, 2009	
In millions of euros	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 of euros	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 of euros	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:

	Past-due non impaired assets at the closing date				Impaired assets	Non-impaired and not past-due assets	Total
In millions of euros **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:

	Past-due non impaired assets at the closing date				Impaired assets	Non-impaired and not past-due assets	Total
In millions of euros **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.

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.

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.

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 of euros*	**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 of euros*	**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	**7,424.6**	**(889.1)**	**1,173.9**	**367.6**	**1,536.5**	**830.5**	**4,405.2**

At December 31, 2010 *In millions of euros*	**TOTAL**	**2011**	**2012**	**2013**	**2014**	**2015**	**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 of euros*	**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 of euros*	**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 of euros*	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 of euros*	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 of euros	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.

(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 15 - EQUITY

15.1 SHARE CAPITAL

	Number of shares			Value In millions of euros		
	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
At December 31, 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

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 net 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 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 of euros	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 issued 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 of euros	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 restoration	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 plan 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 of consolidation 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 of euros	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 of euros	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 of euros	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 of euros		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 long 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, 2010		**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 income statement) 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 year breaks down as follows:

In millions of euros	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-term 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 employees	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 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 of euros	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 outcome. Their share in actuarial gains and losses is presented below:

		December 31, 2010		December 31, 2009		December 31, 2008	
In millions of euros		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 of euros		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.

17.3.6 GEOGRAPHICAL BREAKDOWN OF OBLIGATIONS

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

	Euro Zone		United Kingdom		United States		Rest of the world	
In millions of euros	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 €58.5 million 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 of euros	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 of euros	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 of euros	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 years break down as follows:

In millions of euros	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 of euros	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 December 31, 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 of euros	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 of euros	**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:

		(Expense) for the period	
In millions of euros	*Note*	**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)
TOTAL		**(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 subject to 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	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	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	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	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	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	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	5.9
11/10/2009	05/04/2009	11/10/2013	29.44	399,784	0	0	46,567	353,217	11/09/2017	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 €25.88.

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:

		(Expense) for the period	
In millions of euros		**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	03/01/2015	€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

	Number of shares granted	weighted average fair value	(Expense) for the period 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

	Number of shares granted	weighted average fair value	(Expense) for the period 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 included 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

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

SUEZ and GDF SUEZ plans

	Number of shares granted	weighted average fair value	(Expense) for the period 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.

23.5 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 of euros	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 wastewater treatment 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 of euros	Dec. 31, 2010	Dec. 31, 2009
Short-term benefits	5.1	4.6
Post-employment benefit and other	1.0	0.4
Long-term benefits*		
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.

In 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

Names	Headquarters address	% interest		% control		Consolidation methods	
		Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
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
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 Jl. 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

(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.

FC = Full consolidation

PC = Proportional consolidation (joint-venture)

EM = Equity method (associates)

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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 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.

	Ernst & Young		Mazars	
In thousands of euros	**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 2009

	Ernst & Young		Mazars	
In thousands of euros	**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.*

20.2 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' annual general meetings, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2010 and of the results of its operations for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matters set out in the notes to the consolidated financial statements:

- note 1.1 "Basis of presentation" which specifies that the consolidated financial statements have been presented according to the "pooling of interest" accounting method, including for the comparative financial year ended December 31, 2009;
- note 1.2.1 "Mandatory IFRS standards, amendments and IFRIC interpretations applicable to the 2010 annual financial statements" which outlines the impact of new standards, amendments and interpretations whose application is mandatory, including notably IFRS 3 revised "Business combinations" and IAS 27 revised "Consolidated and separate financial statements".

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As disclosed in note 1.4.1 to the consolidated financial statements, SUEZ ENVIRONNEMENT COMPANY group is required to make estimates and assumptions in order to prepare its financial statements. This note also specifies that the future results of the related operations could be different from these estimates according to different assumptions or situations. These significant accounting estimates relate to the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets, the fair valuation of assets acquired and liabilities assumed within a business combination, provisions, capital renewal and replacement liabilities, financial instruments, revenues generated but not metered (as in "meters not read") and the assessment of the tax loss carry-forwards recognized as deferred tax assets.
- With respect to the aforementioned assets, we have examined the methods adopted to perform impairment tests, as well as the data and assumptions used. We have reviewed the calculations made by the group and verified that notes 1, 5, 9, 10 and 11 to the consolidated financial statements provide appropriate information.
- In respect of assets acquired and liabilities assumed within a business combination, we have examined data and assumptions allowing their fair valuation and reviewed the correct adjustment of the goodwill accounted for at the acquisition date. We have also verified that notes 2 and 9 to the consolidated financial statements provide appropriate information.

- As regards provisions, and particularly provisions for site rehabilitation, litigation, retirement and other employee benefits, we have assessed the bases on which these provisions have been established and verified that notes 16, 17 and 26 to the consolidated financial statements provide appropriate information.

- In respect of capital renewal and replacement liabilities, we have assessed the bases on which they have been established and verified that note 21 to the consolidated financial statements provides appropriate information.

- As regards financial instruments, we have examined data and assumptions used for the valuation models allowing the fair valuation of non-public financial instruments and verified that notes 13 and 14 to the consolidated financial statements provide appropriate information.

- In respect of sales of water metered during the accounting period, the group prepares an estimate of the revenues based on historical data of consumption as well as the estimated selling price. Our work consisted in examining the data and assumptions used to calculate these estimates and verifying that note 1 to the consolidated financial statements provides appropriate information.

- As regards the tax loss carry-forwards recognized as deferred tax assets, our work consisted in verifying that the recognition criteria were satisfied and in assessing the assumptions underlying the forecasts of taxable profits and the relating use of tax loss carry-forwards. We have also verified that note 7 to the consolidated financial statements provides appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, February 9, 2011

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

20.3 PARENT COMPANY FINANCIAL STATEMENTS

20.3.1 BALANCE SHEET ASSETS

		December 31, 2010			December 31, 2009
In thousands of euros	Note	Gross	Amortization and depreciation	Net	Net
NON CURRENT ASSETS					
Intangible assets		0.0		0.0	60.2
Intangible assets	Note 1	**0.0**	**0.0**	**0.0**	**60.2**
Equity investments		6,157,390.3		6,157,390.3	6,157,390.3
Receivables related to equity investments		412,534.7		412,534.7	0.0
Loans		0.0		0.0	351,678.0
Other financial assets		24,668.4		24,668.4	38,009.5
FINANCIAL ASSETS	Note 2	**6,594,593.4**	**0.0**	**6,594,593.4**	**6,547,077.8**
NON CURRENT ASSETS I		**6,594,593.4**	**0.0**	**6,594,593.4**	**6,547,138.0**
CURRENT ASSETS					
Advances and partial payments on orders		**26.2**		**26.2**	**3.4**
Trade and related receivables		7,048.9		7,048.9	122.7
Other receivables		83,274.1		83,274.1	0.0
Current accounts of subsidiaries		4,545,259.0		4,545,259.0	1,505,409.6
Accrued income from cash instruments		68,883.7		68,883.7	51,272.7
Receivables		**4,704,465.7**	**0.0**	**4,704,465.7**	**1,556,805.0**
Cash and cash equivalents		37.2		37.2	676,516.6
Marketable securities	Note 4	241,870.1	69.7	241,800.4	954,709.7
Cash, cash equivalents and short term securities		**241,907.2**	**69.7**	**241,837.5**	**1,631,226.3**
Accruals	Note 5	**27,055.4**		**27,055.4**	**12,672.6**
Bond redemption premiums		**13,432.8**		**13,432.8**	**11,075.1**
CURRENT ASSETS II		**4,986,887.3**	**69.7**	**4,986,817.6**	**3,211,782.4**
Unrealized foreign exchange losses III	Note 10	**2,979.2**		**2,979.2**	**0.0**
TOTAL ASSETS (I+II+III)		**11,584,459.8**	**69.7**	**11,584,390.1**	**9,758,920.4**

20.3.2 BALANCE SHEET LIABILITIES

In thousands of euros		Note	December 31, 2010	December 31, 2009
SHAREHOLDERS' EQUITY				
Share capital			1,958,796.2	1,958,796.2
Additional paid-in capital			4,002,949.5	4,002,949.5
Legal reserve			195,879.6	195,879.6
Other reserves			877.5	
Retained earnings			40,464.8	64,610.9
Net Income for the period			451,527.8	611,780.2
Interim dividends				(317,621.9)
Shareholders' equity	I	Note 6	**6,650,495.4**	**6,516,394.5**
PROVISIONS FOR CONTINGENCIES AND LOSSES				
Provisions for contingencies		Note 10	2,979.2	
Provisions for losses			21,477.1	7,305.3
Provisions for contingencies and losses	II	Note 7	**24,456.3**	**7,305.3**
DEBT & PAYABLES				
Bonds			3,614,089.6	3,103,399.7
Bank borrowings			414,594.5	100,037.1
Undated deeply subordinated notes			759,941.3	
Current accounts and borrowings from subsidiaries			86,038.8	4,675.2
Debt		Note 8	**4,874,664.1**	**3,208,112.0**
Trade and related payables			11,767.8	7,030.4
Tax and employee related payables			268.3	371.9
Debt on fixed assets and related accounts			0.0	60.2
Accrued expenses on cash instruments			17,029.6	12,976.5
Others			971.8	485.1
Payables			**30,037.4**	**20,924.1**
DEBT & PAYABLES	III		**4,904,701.6**	**3,229,036.1**
Deferred income	IV	Note 5	**4,736.9**	**6,184.5**
Unrealized foreign exchange losses	V	Note 10		
TOTAL LIABILITIES	(I+II+III+IV+V)		**11,584,390.1**	**9,758,920.4**

20.3.3 INCOME STATEMENT

In thousands of euros		Note	December 31, 2010	December 31, 2009
Other revenues		Note 11	6,560.1	3,988.4
Net revenues			**6,560.1**	**3,988.4**
Reversals of depreciation, provisions and transferred expenses		Note 12	19,363.0	8,902.5
Operating income			**25,923.0**	**12,890.9**
Other purchases and external expenses			(39,992.6)	(28,713.3)
Taxes			(3,121.3)	(143.9)
Wages and salaries			(1,549.2)	(958.9)
Payroll taxes			(390.2)	(261.1)
Allocation to provisions for stock options and bonus shares			(12,548.2)	(6,007.8)
Allocation to provisions			(5,249.2)	(2,253.1)
Other operating expenses			(449.6)	(384.7)
Operating expenses			**(63,300.3)**	**(38,722.8)**
NET OPERATING INCOME	I		**(37,377.2)**	**(25,831.8)**
Allocated profit or transferred loss	II			
Financial income from equity investments			512,112.0	608,657.6
Other financial income			2,697.9	3,044.7
Other interest and similar income			134,547.1	74,798.4
Capital gain on disposal of marketable securities			2,777.7	6,235.5
Reversals of provisions and transferred expenses				687.8
Foreign exchange gains			4,473.1	0.5
Financial income			**656,607.7**	**693,424.5**
Interest and similar expense			(244,361.2)	(144,942.1)
Allocation to amortization and provisions			(4,443.1)	(833.4)
Foreign exchange losses			(1,487.6)	(1.9)
Financial expenses			**(250,291.9)**	**(145,777.4)**
NET FINANCIAL INCOME	III	Note 13	**406,315.8**	**547,647.1**
CURRENT INCOME BEFORE TAX	IV=I+II+III		**368,938.6**	**521,815.3**
Non-recurring gains from operations			1.1	
Non-recurring gains from financial transactions			2,007.0	5,124.2
Non-recurring gains			**2,008.0**	**5,124.2**
Non-recurring expenses on financial transactions			(4,251.1)	(1,831.0)
Non-recurring expenses			**(4,251.1)**	**(1,831.0)**
NON-RECURRING INCOME	V	Note 14	**(2,243.1)**	**3,293.2**
Employee profit-sharing	VI			
Income tax expense	VII	Note 15	84,832.2	86,671.7
NET INCOME	IV+V+VI+VII		**451,527.8**	**611,780.2**

20.3.4 CASH FLOW STATEMENT

In thousands of euros	December 31, 2010	December 31, 2009
Net income	451,527.8	611,780.1
Net depreciation, amortization and provisions	17,151.0	7,305.3
Gross cash flow	**468,678.7**	**619,085.4**
Change in working capital requirements	(17,865.0)	52,360.4
Net cash flow generated from operating activities	**450,813.8**	**671,445.8**
Change in receivables from equity investments	(58,296.0)	(351,678.0)
Change in other financial assets	15,052.5	(19,379.5)
Net cash flow generated from investing activities	**(43,243.50**	**(371,057.5)**
Dividends paid	(317,426.9)	(317,621.9)
Increase in share capital		
Purchase of treasury shares	(30,890.1)	11,763.2
Change in current accounts	(3,039,367.20	(1,555,909.1)
Bond issues	500,000.0	3,000,000.0
Undated deeply subordinated notes issue	750,000.0	
Change in other financial debt	111,840.2	
Purchase/Sale of marketable securities	743,799.4	(950,026.0)
Accrued interest and premiums	(2,562.4)	85,918.2
Net cash flow generated from financing activities	**(1,284,607.1)**	**274,124.3**
NET CHANGE IN CASH POSITIONS	**(877,036.8)**	**574,512.6**
Net cash at begining of period	**575,014.2**	**501.6**
Net cash at end of period	**(302,022.6)**	**575,014.2**

The change in the SUEZ ENVIRONNEMENT SAS current account is due to funding the needs of its subsidiaries.

20.3.5 SIGNIFICANT EVENTS IN THE YEAR

20.3.5.1 BOND ISSUES

As part of the EMTN program set up in March 2009, SUEZ ENVIRONNEMENT COMPANY, on June 24, 2010, issued a €500 million tranche maturing June 24, 2022 and bearing a coupon of 4.125%.

20.3.5.2 UNDATED DEEPLY SUBORDINATED NOTES ISSUE

On September 17, 2010, SUEZ ENVIRONNEMENT COMPANY issued an undated deeply subordinated note for a total amount of €750 million, bearing a coupon of 4.82% for the first five years.

20.3.6 ACCOUNTING PRINCIPLES AND POLICIES

The 2010 parent company financial statements are drawn up in euros in accordance with the general accounting standards set out in the Plan Comptable Général per regulation No. 99-03 of the Comité de Réglementation Comptable (CRC), and the measurement methods described below.

Financial transactions relating to equity investments and related receivables, in particular depreciation and depreciation reversals, have been included under non recurring items instead of financial income. Pursuant to article 120-2 of the Plan Comptable Général, SUEZ ENVIRONNEMENT COMPANY considers that this classification, which diverges from the Plan Comptable Général, better reflects the income statement situation as it groups under non recurring income all income components relating to equity holdings along with capital gains and losses on disposal.

The accounting year spans a 12-month period from January 1, 2010 to December 31, 2010.

The financial statements of SUEZ ENVIRONNEMENT COMPANY are fully consolidated within the consolidated financial statements of the GDF SUEZ Group (1, place Samuel de Champlain 92930 Paris La Défense Cedex, France).

FINANCIAL ASSETS

Equity investments

Equity investments represent long-term investments providing the Company with control or significant influence over the issuer, or helping it to establish business relations with the issuer.

New investments are recognized at their acquisition cost plus directly related external incidental expenses.

In line with article 21 of the 2007 French finance law, which changes the taxation of the acquisition costs of equity investments, and based on CNC (Conseil National de la Comptabilité) Recommendation 2007-C, SUEZ ENVIRONNEMENT COMPANY recognizes the tax on equity-investment acquisition cost on a staggered basis over five years in an accelerated tax depreciation/ amortization account.

Investments which SUEZ ENVIRONNEMENT COMPANY intends to hold on a long-term basis are written down if value in use falls below cost. Value in use is assessed by reference to the intrinsic value, yield value, expected cash flow, stock market price and any foreign currency hedge.

Investments which SUEZ ENVIRONNEMENT COMPANY has decided to sell are written down if their book value is lower than their market price. If sale negotiations are ongoing, the best estimate is used to determine the sale price.

Receivables related to equity investments

These are loans granted to companies in which SUEZ ENVIRONNEMENT COMPANY holds equity.

Related receivables are carried on the balance sheet at their face amount. Receivables denominated in a foreign currency are reported using the exchange rate prevailing at period-end. In line with the treatment adopted for equity investments, the related receivables are written down if the associated risk is higher than the value of the shares and if the shares have already been depreciated.

Other financial assets

These mainly include mutual funds held by SUEZ ENVIRONNEMENT COMPANY under a liquidity contract. A provision may be constituted based on the criteria used for equity investments as described above.

RECEIVABLES

Receivables reported within current assets are carried on the balance sheet at their face amount, with non-payment risk analyzed on a case-by-case basis. Bad debts are depreciated in an amount reflecting the risk incurred.

TREASURY SHARES

SUEZ ENVIRONNEMENT COMPANY shares are recognized on the date of delivery, at acquisition cost excluding transaction fees.

Shares intended to be held on a long-term basis or for cancellation or trading purposes are recognized under financial assets.

Shares acquired as part of the buy-back programs or the liquidity contract [1] are shown under short-term marketable securities. Shares held as part of stock option and bonus share plans are part of such programs and are therefore also shown under marketable securities.

Upon disposal, the cost price of the shares is established per allocation category using the First In, First Out (FIFO) method.

If the market value of SUEZ ENVIRONNEMENT COMPANY shares classified as marketable securities is lower than their acquisition cost, a depreciation in the amount of that difference is recognized in financial income (under liquidity contract).

Regarding SUEZ ENVIRONNEMENT COMPANY shares assigned to stock option plans:

- if they relate to an unexercisable plan (where the market price is lower than the strike price) the depreciation posted to financial provisions under operating income is measured in terms of the average price of all the plans involved.
- if they relate to an exercisable plan (where the market price is higher than the strike price) a provision for expenses is posted to provisions for stock options and bonus shares, under operating income.

(1) SUEZ ENVIRONNEMENT COMPANY has signed a liquidity contract with an investment services provider. The Company assigns the provider the task of intervening daily on the market to buy and sell SUEZ ENVIRONNEMENT COMPANY shares in order to maintain liquidity and bolster the market for the Company's stock on the Paris stock exchange. The amounts paid to this provider are shown under other financial assets.

As part of the stock option plans, and as an alternative to holding shares assigned to these plans, SUEZ ENVIRONNEMENT COMPANY may acquire instruments that are settleable in shares. These instruments consist of call options subscribed when setting up the plan, or after that date up to the end of the vesting period. Premiums payable under these stock options are recognized under assets in "Other capitalized receivables". These premiums, if they apply, are recognized as depreciation under financial income.

A provision is set aside for stock option plans when at the end of the reporting period, the share price exceeds the strike price. The provision is recorded on a straight-line basis over the vesting period and ultimately covers the loss on disposal corresponding to the acquisition value of the shares less the strike price paid by employees. This provision is recognized in provisions for expenses.

Where SUEZ ENVIRONNEMENT COMPANY is hedged by call options the provision includes the premium paid.

MARKETABLE SECURITIES EXCLUDING TREASURY SHARES

Securities held for trading are recognized at their acquisition price. If the closing market price is less than their book value, a depreciation is recognized for the difference. In the case of listed securities, their market value is measured at the average closing price in the settlement month.

FOREIGN CURRENCY TRANSACTIONS

Income and expenses denominated in foreign currencies are recorded at their equivalent value in euros at the transaction date.

Foreign currency receivables, payables and cash and cash equivalents are translated at the exchange rate prevailing at period-end. Foreign exchange gains and losses are posted to income when they relate to cash and cash equivalents, or to the balance sheet under "Unrealized foreign exchange gains and losses" when they relate to receivables and payables. Unrealized losses are provisioned.

PROVISIONS FOR CONTINGENCIES AND LOSSES

Pursuant to CRC Regulation 2000-06 on liabilities issued by the Comité de Réglementation Comptable, provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Provision for bonus shares to employees

Pursuant to CRC Regulation 2008-15 of December 4, 2008 issued by the Conseil National de la Comptabilité a provision is set aside for bonus share grants on a straight-line basis over the vesting period and ultimately covers the loss on disposal corresponding to the carrying amount of the treasury shares awarded without consideration to employees. This provision is recognized in "Provisions for contingencies" and impacts the Company's operating income.

Pensions and other employee benefit obligations

In accordance with the benchmark treatment prescribed by the Conseil National de la Comptabilité , a provision is recognized in the parent company financial statements for pensions and other employee benefit obligations under defined benefit plans.

The Company's obligations for pensions, early retirement payments, retirement bonuses and other plans are assessed on an actuarial basis using mortality and employee turnover assumptions and salary projections.

Provisions for equity investment risk

The Company may constitute provisions for contingencies if it believes that its commitments exceed assets held or if some of its investment assets harbor risk that may not materialize as an asset impairment.

BORROWINGS & DEBT

Bond issue premiums and costs

Bond issues that include a premium are recognized in liabilities on the balance sheet at their total value including any redemption premium. Accordingly, redemption premiums are recognized in balance sheet assets as "Bond redemption premiums" and are amortized using the straight line method over the term of the bond.

Issue premiums received are deducted from the issue costs. Any difference outstanding is recorded under prepaid income and is recognized in income over the life of the bond.

In accordance with the recommendation from the Conseil National de la Comptabilité, bond issuance costs are amortized on a straight line basis over the lifetime of the bond. Issuance costs mainly include commission to brokers.

Undated deeply subordinated notes

In accordance with Recommendation 28 from the Ordre des Experts Comptables issued in October 1994, undated deeply subordinated notes are classified as financial debt. The issue premium is recognized in balance sheet assets, and the year's tax-deductible interest expense is recognized as a financial expense in the income statement. Issuance costs are amortized over the lifetime of contracts on a straight line basis.

FINANCIAL AND OPERATING INSTRUMENTS

SUEZ ENVIRONNEMENT COMPANY uses derivatives in order to manage and reduce its exposure to interest rate and foreign exchange volatility or to secure the value of certain financial assets.

Gains and losses on interest rate and/or foreign exchange swaps are recognized on a *prorata temporis* basis in the income statement as financial profit/loss over the lifetime of the underlying assets.

Premiums paid for options are recognized on the same basis.

INCOME TAX AND TAX INTEGRATION

With effect from January 1, 2008, a consolidated tax group was formed by SUEZ ENVIRONNEMENT COMPANY with all of its French subsidiaries that were previously included in the SUEZ tax group. The creation of this tax group resulted in the parent company SUEZ ENVIRONNEMENT COMPANY entering into tax consolidation agreements with each member of its tax group.

As parent company, SUEZ ENVIRONNEMENT COMPANY pays income tax to the French tax authorities corresponding to the taxable income of all members of the tax group, after netting of profits and losses. The gain or loss resulting from tax consolidation accruing to SUEZ ENVIRONNEMENT COMPANY is recorded in income.

In accordance with the principle of neutrality, the tax consolidation agreement provides that income tax savings resulting from the utilization of tax loss carryforwards must be paid over by SUEZ ENVIRONNEMENT COMPANY to the relevant subsidiaries when the latter swings back into profit. However, as the Company considers that it is unlikely to have to pay over any amounts under this principle, no provision was recognized in respect of this commitment at December 31, 2010.

20.3.7 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: INTANGIBLE ASSETS

Changes in gross value break down as follows:

In thousands of euros	At Dec 31, 2009	Increases	Reductions	At Dec 31, 2010
In progress	60.2		(60.2)	0.0
Intangible Assets	60.2	0.0	(60.2)	0.0

NOTE 2: FINANCIAL ASSETS

Changes in gross value break down as follows:

In thousands of euros	At Dec 31, 2009	Increases	Reductions	At Dec 31, 2010
Consolidated equity investments (1)	6,157,390.3			6,157,390.3
Equity investments	**6,157,390.3**	**0.0**	**0.0**	**6,157,390.3**
Receivables related to equity investments (2)		531,401.5	(118,866.8)	412,534.7
Loans (2)	351,678.0		(351,678.0)	0.0
Other financial assets (3)	38,009.5	60,207.2	(73,548.3)	24,668.4
Other financial assets	**389,687.5**	**591,608.7**	**(544,093.1)**	**437,203.1**
Financial Assets	**6,547,077.8**	**591,608.7**	**(544,093.1)**	**6,594,593.4**

(1) Consolidated equity investments only include SUEZ ENVIRONNEMENT SAS shares.

(2) At year end, all loans to GDF SUEZ had been repaid. All receivables relate to SUEZ ENVIRONNEMENT SAS.

(3) This amount corresponds to sums paid to the investment services provider under the liquidity contract.

NOTE 3: MATURITY OF RECEIVABLES

In thousands of euros	Gross value at December 31, 2010	Less than 1 year	More than 1 year
Receivables related to equity investments	412,534.7	0.0	412,534.7
Other financial assets	24,668.4	24,668.4	
Non current assets	**437,203.1**	**24,668.4**	**412,534.7**
Advances and downpayments on orders	26.2	26.2	
Trade and related receivables	7,048.9	7,048.9	
Other receivables	83,274.1	83,274.1	
Current accounts of subsidiaries	4,545,259.0	4,545,259.0	
Accrued income from cash instruments	68,883.7	68,883.7	
Current Assets	**4,704,491.8**	**4,704,491.8**	**0.0**
Receivables	**5,141,694.9**	**4,729,160.2**	**412,534.7**

The other receivables include the amount the Government owes the Company in respect of the gain from tax consolidation.

NOTE 4: MARKETABLE SECURITIES

This item breaks down as follows:

In thousands of euros	Position at Dec 31, 2010	Position at Dec 31, 2009
Stock option plans	5,435.9	
Bonus share plans	28,147.6	1,619.5
Liquidity contract	2,060.0	3,067.4
Mutual funds	**206,226.6**	**950,026.0**
Gross amount	241,870.1	954,712.8
Liquidity contract	(69.7)	(3.2)
Provisions for depreciation	**(69.7)**	**(3.2)**
Net book value	**241,800.4**	**954,709.7**

Over the period, the only derivatives used were call options to buy SUEZ ENVIRONNEMENT COMPANY shares. The only transactions were:

	Number	Premiums paid (in € thousands)
At Dec 31, 2009	0.0	0.0
Purchases	1,833,348	5,435.9
At Dec 31, 2010	**1,833,348**	**5,435.9**

Opened options on December 31, 2010 may be called at any time in accordance with the following schedule:

In thousands of euros	Total strike price
Term:	
latest 2012	28,398.6

NOTE 5: ACCRUALS

Accruals break down as follows:

In thousands of euros	At Dec 31, 2009	Increases	Reductions	At Dec 31, 2010
Issuance costs	6,602.1	9,552.5	(1,441.6)	14,713.0
Credit facilities set-up fees	513.6	9,500.0	(1,873.6)	8,140.0
Prepaid expenses	5,556.9		(1,354.5)	4,202.4
Accruals on assets	**12,672.6**	**19,052.5**	**(4,669.7)**	**27,055.4**

Bond issuance expenses increased as a result of the 2010 bond issue as part of the EMTN agreement, and of the undated deeply subordinated note.

Credit facilities set-up fees increased as a result of the setting up of a €1.5 billion syndicated loan.

In thousands of euros	At Dec 31, 2009	Increases	Reductions	At Dec 31, 2010
Prepaid income	6,184.5		(1,447.6)	4,736.9
Accruals on liabilities	**6,184.5**	**0.0**	**(1,447.6)**	**4,736.9**

This prepaid income relates to the issuance premium on additional facilities maturing 2014 and to derivatives settlement balances.

Accrued expenses and accrued income associated with receivables and payables can be analyzed as follows:

In thousands of euros	At Dec 31, 2010	At Dec 31, 2009
Interest on bonds issued	114,089.6	103,399.7
Interest on bank borrowings and debt	30.0	
Interest on other borrowing and short term debt	10,187.3	25.4
Trade and related payables	5,151.1	4,776.1
Tax and employee related payables	268.3	371.9
Debt on fixed assets and related accounts	0.0	60.2
Cash instruments	17,029.6	12,976.5
Other debt	971.8	485.1
Accrued expenses	**147,727.7**	**122,094.9**

In thousands of euros	At Dec 31, 2010	At Dec 31, 2009
Receivables related to equity investments	276.0	
Loans		1,678.0
Current accounts of subsidiaries	0.0	3,633.1
Cash instruments	68,883.7	51,272.7
Accrued income	**69,159.7**	**56,583.8**

NOTE 6: SHAREHOLDERS' EQUITY

Shareholders' equity is fully paid up. Each share confers one vote.

	At Dec 31, 2009	Purchase/Sale	At Dec 31, 2010
Outstanding shares	489,398,060	(1,863,492)	487,534,568
Treasury shares	301,000	1,863,492	2,164,492
	489,699,060	**0**	**489,699,060**

Since its listing on July 22, 2008, SUEZ ENVIRONNEMENT COMPANY shareholders' equity has been 489,699,060 shares with a nominal value of €4/share.

At December 31, 2010, SUEZ ENVIRONNEMENT COMPANY held 2,164,492 shares which include:

- 2,031,767 shares acquired under the bonus share allocation plan for a value of €28 million and representing a market value at December 31, 2010 of €30.6 million.
- 132,725 shares held under the liquidity contract at an acquisition value of €2.1 million with a market value at December 31, 2010 of €2.0 million.

Over the course of 2010, liquidity contract transactions consisted of a total of 5,568,767 shares bought and 5,637,042 shares sold generating a net capital loss of €2.3 million.

Changes in shareholders' equity were as follows:

In thousands of euros	Share capital	Merger and share premium	Reserves and Retained earnings	Interim dividends	Net income for the period	Total
Balance at December 31, 2009	**1,958,796.2**	**4,002,949.5**	**260,490.5**	**(317,621.9)**	**611,780.2**	**6,516,394.6**
Allocation of the 2009 net income			611,780.2		(611,780.2)	0.0
Dividend distributed for fiscal year 2009			(635,048.8)	317,621.9		(317,426.9)
Net income in fiscal year 2010					451,527.8	451,527.8
Other changes						0.0
Balance at December 31, 2010 before income allocation	**1,958,796.2**	**4,002,949.5**	**237,221.9**	**0.0**	**451,527.8**	**6,650,495.4**

In accordance with the decision of the Shareholders' Meeting of May 20, 2010, SUEZ ENVIRONNEMENT COMPANY paid a dividend of €1.30 per share for 2009.

On May 27, 2010, SUEZ ENVIRONNEMENT COMPANY paid a dividend of €0.65 per share to take account of the interim dividend of €0.65 per share paid on June 3, 2009, amounting to a total of €317,427,000.

Share allocations under the various SUEZ ENVIRONNEMENT COMPANY share plans changed as follows over the fiscal year:

number	Stock purchase option plans: Plan of December 17, 2009	Plan of December 16, 2010	TOTAL
Unexercised rights at January 1, 2010	3,464,440		3,464,440
Allocations		2,944,200	2,944,200
Cancelled / Expired	(29,992)		(29,992)
Unexercised rights at December 31, 2010	**3,434,448**	**2,944,200**	**6,378,648**

	Allocation of bonus shares			
		Performance shares		TOTAL
number	Worldwide Financial incentive scheme June 2009	Plan of December 17, 2009	Plan of December 16, 2010	
Unexercised rights at January 1, 2010	2,040,810	173,852		2,214,662.0
Allocations			829,080	829,080
Exercised / Delivered	(390)			(390)
Unexercised rights at December 31, 2010	**2,040,420**	**173,852**	**829,080**	**3,043,352**

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 new 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 help increase the loyalty of the management teams.

The Board of Directors thus resolved to allocate 2,944,200 stock options to 977 beneficiaries at an exercise price of €14.20. The grant is conditional on a four year vesting condition as well as on certain performance conditions.

During the same meeting, the Board of Directors, in accordance with the decision of 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. To receive these shares, the beneficiaries are required to remain 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 ultimately conditional on performance.

Pursuant to the worldwide financial incentive scheme put in place in 2007 within the former SUEZ Group, the employees of SUEZ ENVIRONNEMENT Group were granted 2,040,810 shares in June 2009. Some 68,000 employees were involved.

Taking into account all the current schemes, the number of beneficiaries and turnover assumptions, SUEZ ENVIRONNEMENT COMPANY estimates its share delivery obligation at the end of the various vesting periods to be 9,422,000 shares.

In this connection, over 2010, SUEZ ENVIRONNEMENT COMPANY bought 1,932,157 shares for €26.5 million. Taking into account the shares delivered in 2010 (under legal exemptions for death, etc.) the number of shares allocated to cover its bonus shares obligation at December 31, 2010 was 2,031,767.

NOTE 7: PROVISIONS

In thousands of euros	At Dec 31, 2009	Allocation (net)	At Dec 31, 2010
Employee-related obligations	**7,305.3**	**14,171.8**	**21,477.1**
Provisions for pensions	787.0	834.0	1,621.0
Provisions for other employee obligations	6,007.8	12,548.2	18,556.1
Other provisions	510.5	789.5	1,300.0
Other provisions for contingencies and losses	**0.0**	**2,979.2**	**2,979.2**
Provisions for foreign exchange losses	0.0	2,979.2	2,979.2
Total	**7,305.3**	**17,151.0**	**24,456.3**
Posted to income statement:			
Operating provisions and reversals		14,171.8	
Financial provisions and reversals		2,979.2	
Total		**17,151.0**	

PROVISIONS FOR PENSION

Provisions for pensions were €1,621,000. The change in these provisions is explained in Note 17.

PROVISIONS FOR EMPLOYEE BONUS SHARE ALLOCATION AND STOCK OPTION PLANS

At December 31, 2010 provisions constituted for employee bonus share allocation and stock option plans amounted to €18,556,100 versus €6,007,800 in 2009. In 2010, SUEZ ENVIRONNEMENT COMPANY allocated €12,548,200 to cover rights acquired by employees.

OTHER PROVISIONS FOR CONTINGENCIES AND LOSSES

These are provisions for debts and receivables in a foreign currency. Allocations and reversals of these provisions impact financial income.

NOTE 8: BORROWINGS AND DEBT

In thousands of euros	Position at Dec 31, 2010	Position at Dec 31, 2009
Bonds	3,500,000.0	3,000,000.0
Bank borrowings and debt	412,258.7	100,000.0
Undated deeply subordinated note	750,000.0	
Current accounts from subsidiaries	86,038.8	4,675.2
Borrowings	**4,748,297.5**	**3,104,675.2**
Accrued interests	124,306.9	103,425.1
Bank overdrafts	2,059.8	11.7
Other borrowings and debt	**126,366.6**	**103,436.8**
Total borrowings and debt	**4,874,664.1**	**3,208,112.0**

The change in borrowings and debt is due to:

- €500 million new bond under the EMTN program;
- €750 million of undated deeply subordinated note;
- €300 million in drawdowns on credit facilities.

NOTE 9: MATURITY OF DEBT

In thousands of euros	Gross value at December 31, 2010	At end 2011	Maturity Between 2012 and 2015	2016 and beyond
Bonds	3,500,000.0	0.0	1,300,000.0	2,200,000.0
Bank borrowings and debt	412,258.7	412,258.7		
Undated deeply subordinated note	750,000.0			750,000.0
Current accounts from subsidiaries	86,038.8	86,038.8		
Other borrowings and debt	126,366.6	126,366.6		
Borrowings and debt	**4,874,664.1**	**624,664.1**	**1,300,000.0**	**2,950,000.0**
Trade and related payables	**11,767.8**	**11,767.8**		
Tax and employee related payables	**268.3**	**268.3**		
Accrued expenses on cash instruments	17,029.6	17,029.6		
Other	971.8	971.8		
Other debt	**18,001.4**	**18,001.4**	**0.0**	**0.0**
Total	**4,904,701.6**	**654,701.6**	**1,300,000.0**	**2,950,000.0**

Breakdown of bond issues:

	Value at Dec 31, 2010	Issue date	Maturity date	Rate
Public placements				
In thousands of euros	1,300,000	Apr-08-09	Apr-08-14	4.88%
In thousands of euros	800,000	Apr-08-09	Apr-08-19	6.25%
In thousands of euros	500,000	Jul -22-09	Jul-22-24	5.50%
In thousands of euros	500,000	Jun-24-10	Jul-24-22	4.13%
Private placements				
In thousands of euros	250,000	Jun-08-09	Jun-08-17	5.20%
In thousands of euros	150,000	Oct-12-09	Oct-12-17	4.50%

Breakdown of other borrowings:

In thousands of euros	Value at Dec 31, 2010	Issue date	Maturity date	Rate
Undated deeply subordinated note	750,000	Sept-17-10	perpetual	4.82%

NOTE 10: UNREALIZED FOREIGN EXCHANGE GAINS AND LOSSES

The following unrealized foreign exchange gains and losses were recognized as a result of the revaluation of receivables and debt denominated in foreign currencies at the exchange rate prevailing on December 31, 2010:

In thousands of euros	Unrealized loss
Unrealized foreign exchange gains and losses	
Receivables related to equity investments	2,560.7
Borrowings	418.5
Total	**2,979.2**

The total currency impact at December 31, 2010, measured in accordance with the above-cited accounting principles, was an unrealized loss of €2,979,200 mainly relating to the US dollar.

This unrealized loss has been provisioned in full.

NOTE 11: REVENUES

Revenues of €6,560,070 correspond to the compensation paid to SUEZ ENVIRONNEMENT COMPANY as Chairman of SUEZ ENVIRONNEMENT SAS.

NOTE 12: REVERSALS OF DEPRECIATION, PROVISIONS AND TRANSFERRED EXPENSES

In thousands of euros	At Dec 31, 2010	At Dec 31, 2009
Bond issuance costs	9,552.5	8,902.5
Credit facility set-up fees	9,500.0	
Other	310.5	
Total	**19,363.0**	**8,902.5**

Transferred expenses are included in operating income. They relate to the amortization of these expenses over the lifetime of the borrowings and credit facilities involved.

NOTE 13: NET FINANCIAL INCOME

In thousands of euros	At Dec 31, 2010	At Dec 31, 2009
Dividends received	512,112.0	608,657.6
Other interest, charges and similar income	(140,414.1)	(81,474.4)
Interest on current accounts and receivables related to equity investments	33,297.8	14,375.4
Foreign exchange gain/loss	2,985.5	(1.4)
Allocations to and reversals of financial provisions	(4,443.1)	(145.6)
Net capital gain/loss on disposal of marketable securities	2,777.7	6,235.5
Total	**406,315.8**	**547,647.1**

Interest on current account relates to interest received from SUEZ ENVIRONNEMENT SAS.

The foreign exchange gain/loss relates to currency gains and losses when unwinding currency transactions.

Net income/loss on disposal of marketable securities relate to sales of mutual funds.

NOTE 14: NON-RECURRING INCOME

Net non-recurring income can be analyzed as follows:

In thousands of euros	At Dec 31, 2010	At Dec 31, 2009
Sale of treasury shares	(2,194.5)	3,293.2
Other	(48.6)	
Total	**(2,243.1)**	**3,293.2**

Non-recurring income mainly relates to income from transactions under the liquidity contract.

NOTE 15: INCOME TAX AND TAX CONSOLIDATION

In thousands of euros	Position at Dec 31, 2010	Position at Dec 31, 2009
Gain from tax consolidation	83,397.4	85,779.7
Other	1,434.8	892.1
INCOME TAX FOR THE PERIOD	**84,832.2**	**86,671.7**

Tax income recognized by SUEZ ENVIRONNEMENT COMPANY in 2010 includes a tax consolidation gain of €83.4 million versus €85.8 million in 2009: this income relates to the use of tax losses of entities in the tax consolidation group.

Income for the year breaks down as follows:

In thousands of euros	Income before tax	Tax	Income after tax
Current income after employee profit-sharing	368,938.6		368,938.6
Non-recurring income	(2,243.1)		(2,243.1)
Impact of tax consolidation on the period		84,832.2	84,832.2
NET INCOME	**366,695.5**	**84,832.2**	**451,527.8**

As in previous years, due to the tax losses of entities within the tax group, SUEZ ENVIRONNEMENT COMPANY did not pay any income tax in 2010.

Deferred tax position

The future tax liability position presented below results merely from the timing differences between the tax and the accounting treatment of the income and expenses of SUEZ ENVIRONNEMENT COMPANY:

In thousands of euros	Position at Dec 31, 2010	Position at Dec 31, 2009
Losses carried forward (tax base)	185,921.0	79,164.0
Bond issuance costs	1,886.0	341.8
Increase in future tax debt (tax base)	**1,886.0**	**341.8**
Provisions for non-deductible contingencies and losses	2,921.0	1,297.0
Other non-deductible provisions	180.0	141.0
Provisions not deductible in the fiscal year they are recognized	**3,101.0**	**1,438.0**
Difference between book value and tax value of marketable securities	37.0	
Future tax allowances (bases)	**3,138.0**	**1,438.0**
TOTAL	**187,173.0**	**80,260.2**

The total timing differences amount to €187,173,000, representing a theoretical tax receivable of €64,443,700 based on an income tax rate of 34.43%.

NOTE 16: OFF BALANCE SHEET COMMITMENTS

FINANCIAL COMMITMENTS GIVEN

SUEZ ENVIRONNEMENT COMPANY pursues a debt management policy to reduce financing cost by using various types of financial instruments (interest rate swaps and options) depending on market conditions.

In thousands of euros	Notional at Dec 31, 2010 Up to 1 yr	1 - 5 yrs	6 - 10 yrs	More than 10 yrs	Total	Fair value	Notional at Dec 31, 2009
interest rate swaps							
fixed-rate payer/floating-rate receiver			50,000.0		50,000.0	(761.0)	
floating-rate payer/fixed-rate receiver		1,300,000.0	600,000.0		1,900,000.0	47,968.8	2,050,000.0
TOTAL	**0.0**	**1,300,000.0**	**650,000.0**	**0.0**	**1,950,000.0**	**47,207.8**	**2,050,000.0**

OTHER FINANCIAL COMMITMENTS RECEIVED

In thousands of euros	At Dec 31, 2010	Term At end 2011	Between 2012 and 2015	2016 and beyond
Credit facilities confirmed and unused	1,417,741.0	50,000.0	1,367,741.0	
TOTAL	**1,417,741.0**	**50,000.0**	**1,367,741.0**	**0.0**

SUEZ ENVIRONNEMENT COMPANY received financing commitments in the amount of €1,417.7 million versus €650 million in 2009.

NOTE 17: POST-EMPLOYMENT BENEFITS

SUEZ ENVIRONNEMENT COMPANY pays its executive officer post-employment benefits (pensions, retirement bonuses, insurance). The Company's jubilee award obligations are not material.

OVERVIEW OF BENEFIT OBLIGATIONS

In thousands of euros	At Dec 31, 2009	Current service cost	At Dec 31, 2010
Pensions [(1)]	787.0	834.0	1,621.0
TOTAL	**787.0**	**834.0**	**1,621.0**

(1) Pensions and retirement bonuses.

CALCULATION OF PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Pensions and other employee benefit obligations are the difference between the undiscounted projected benefit obligation and any unrecognized past service cost.

The undiscounted value of projected SUEZ ENVIRONNEMENT COMPANY benefits is measured on an actuarial basis. This method is mainly based on expected end-of-career salaries, retirement age and the probability of early retirement, estimated using the French statistics agency INSEE's mortality tables. The main assumptions used to calculate pensions and other employee benefit obligations are described below:

- Long-term inflation rate: 2.0%
- Mortality tables: generational

The resulting undiscounted value of future obligations at December 31, 2010 amounts to €1.6 million.

NOTE 18: RELATED COMPANY TRANSACTIONS

In thousands of euros	**Related companies**
Equity investments	6,157,390.3
Amounts receivable from equity investments	412,534.7
Trade and related receivables	7,048.9
Tax integration current accounts	86,038.8
Current accounts with subsidiaries showing a debit balance	4,545,259.0
Trade and related payables	266.5
Interest on amounts receivable from equity investments	2,697.9
Interest on current accounts with subsidiaries showing a credit balance	(1.6)
Interest on current accounts with subsidiaries showing a debit balance	30,601.6

The above data concerns mainly the Company's transactions with SUEZ ENVIRONNEMENT SAS.

NOTE 19: SUBSIDIARIES AND EQUITY INVESTMENTS

In thousands of euros Corporate Name	Share capital	Reserves and Retained earnings	% of capital held at Dec 31, 2010	Book Value of securities held on Dec 31, 2010 Gross	Book Value of securities held on Dec 31, 2010 Provision	Value of loans and advances granted	Revenue in the last fiscal year	Net profit / loss in the last fiscal year	Period-end of the last fiscal year	Currency
A – Detailed disclosure of equity investments whose gross value exceeds 1% of the share capital of SUEZ ENVIRONNEMENT COMPANY										
1. SUBSIDIARIES										
SUEZ ENVIRONNEMENT SAS Tour CB21 – 16, place de l'Iris 92040 PARIS LA DEFENSE SIREN: 460 118 608	3,323,457	120,141	100%	6,157,390	0	0	172,961	244,224	Dec-2010	EUR
2. EQUITY INVESTMENTS										
NONE										
B – Disclosures concerning other subsidiaries and equity investments										
1. SUBSIDIARIES NOT INCLUDED IN PARAGRAPH A										
NONE										
2. EQUITY INVESTMENTS NOT INCLUDED IN PARAGRAPH A										
NONE										

NOTE 20: COMPENSATION OF BOARD OF DIRECTORS MEMBERS AND CHIEF EXECUTIVE OFFICER

Compensation paid to management (to salaried employees or re-invoiced) for fiscal year 2010 was €1,549,000.

Board of Directors members elected by the Shareholders' Meeting receive Directors' fees: these were €419,400 in 2010.

NOTE 21: SUBSEQUENT EVENTS

No significant events occurred after the closing of accounts on December 31, 2010.

FIVE-YEAR FINANCIAL SUMMARY

	2010	2009	2008	2007	2006
SHARE CAPITAL AT FISCAL YEAR END					
Share capital (€)	1,958,796,240	1,958,796,240	1,958,796,240	40,000	40,000
Number of issued shares	489,699,060	489,699,060	489,699,060	10,000	2,500
FISCAL YEAR TRANSACTIONS AND RESULTS (in € thousands)					
Revenue excluding VAT	6,560.1	3,988.4	230.0		
Income before tax, employee profit-sharing,depreciation and provisions	388,625.5	533,513.9	(33,150.1)	(1.5)	(1.5)
Income tax expense	84,832.2	86,671.7	98,463.9		
Net income	451,527.8	611,780.2	64,622.9	(1.5)	(1.5)
Dividends paid	317,426.9	317,621.9			
EARNING PER SHARE (in €)					
Income after tax, employee profit-sharing and before depreciation and provisions	0.97	1.27	0.27	(0.24)	(0.59)
Net income	0.92	1.25	0.26	(0.24)	(0.59)
Dividend	0.65	0.65			
PERSONNEL (in € thousands)					
Average workforce in the fiscal year	1	1			
Payroll cost	1,549.2	958.9	313.0		
Employee related payments (social security and pension plan contributions, etc.)	390.2	261.1	156.5		

REALIZABLE AND AVAILABLE ASSETS AND CURRENT LIABILITIES

In thousands of euros	December 31, 2010	December 31, 2009
Realizable assets		
Non current assets	**24,668.4**	**389,687.5**
Loans	-	351,678.0
Other financial assets	24,668.4	38,009.5
Current Assets	**4,704,491.8**	**1,556,808.4**
Trade and related receivables	7,048.9	122.7
Advances and downpayments on orders in progress	26.2	3.4
Other receivables, including cash instruments	4,697,416.8	1,556,682.3
Cash and cash equivalents	**241,837.5**	**1,631,226.3**
Total realizable assets	**4,970,997.8**	**3,577,722.2**
Current liabilities	0.0	0.0
Borrowings and debts	**624,664.1**	**208,112.0**
Bank borrowings and debt (1)	412,258.7	100,037.1
Other borrowings and short-term debt	212,405.5	108,074.9
Operating debt	**30,037.4**	**20,924.2**
Trade and related payables	11,767.8	7,030.4
Tax and employee related debt	268.3	371.9
Debt on fixed assets and related accounts	-	60.2
Other debt, including cash instruments	18,001.4	13,461.6
Total current liabilities	**654,701.6**	**229,036.2**
Realizable assets – current liabilities	**4,316,296.2**	**3,348,686.0**
(1) including bank overdrafts	-	11.7

MATURITY OF TRADE PAYABLES

	Total	Not due	Due	
In thousands of euros			< 3 mths	> 3 mths
2010	**6,616.7**	6,174.3	381.7	60.7
2009	**1,334.6**	1,242.9	85.8	5.9

20.4 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' annual general meetings, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying financial statements of SUEZ ENVIRONNEMENT COMPANY;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2010 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French commercial code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matter:

- As stated in the note "Accounting principles and policies – Financial assets – Equity Investments" to the financial statements, the carrying amount of investments which your company intends to hold on a long-term basis is reduced to the value in use of the investments, if this amount is lower. Our work included evaluating the data and hypotheses supporting the estimates made, to verify the calculations and to examine the approbation procedures of these estimates by management. We assessed, on this basis, the reasonableness of the estimates made.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders has been properly disclosed in the management report.

Courbevoie and Neuilly-sur-Seine, March 18, 2011

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

20.5 DIVIDEND DISTRIBUTION POLICY

A dividend of €0.65 per share, for a total of €318.3 million, will be proposed to the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2010. An option to receive the dividend in cash or in the form of SUEZ ENVIRONNEMENT COMPANY shares will also be proposed. Subject to approval by the Shareholders' Meeting, this dividend will be paid during the first half of 2011.

20.6 LEGAL AND ARBITRATION PROCEEDINGS

20.6.1 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.

20.6.2 LITIGATION AND ARBITRATION

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).

To the Company's best knowledge there is no other litigation or governmental, judicial, or arbitration proceedings (including any proceedings of which the Company is aware of that is suspended or for which suspension is threatened) likely to have or that has already had, in the past 12 months, a material impact on the financial situation, results, activity and assets of the Company and Group other than those described below.

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, which should be handed down in 2012.

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.

20.6.3 TAX LITIGATION

Sociedad General de Aguas de Barcelona

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

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

20.7 SIGNIFICANT CHANGE IN THE FINANCIAL OR BUSINESS SITUATION

Please see sections 10.5.2, "Expected sources of financing," and 20.1, note 27, "Subsequent events," of this Reference Document.

21 ADDITIONAL INFORMATION

CONTENTS

21 ADDITIONAL INFORMATION

21.1 GENERAL INFORMATION ON SHARE CAPITAL

21.1.1 AMOUNT OF SHARE CAPITAL AT DECEMBER 31, 2010

As of December 31, 2010, total share capital was €1,958,796,240. It was divided into 489,699,060 ordinary shares with a nominal value of €4 per share.

The Company shares are fully subscribed and paid up, and all belong to the same class.

21.1.2 NON-EQUITY INSTRUMENTS

None.

21.1.3 SHARES HELD BY THE COMPANY OR ON ITS BEHALF

Resolution 13 of the combined Ordinary and Extraordinary Annual Shareholders' Meeting, held on May 20, 2010, (i) terminated the unused portion of the authorization granted to the Board of Directors by Resolution 8 of the combined Ordinary and Extraordinary Annual Shareholders' Meeting held on May 26, 2009, and (ii) authorized the Company to trade in its own shares and delegated full powers to the Board of Directors to implement this authorization, including the option to sub-delegate, under the following conditions:

- maximum authorized purchase price per share: €25;
- maximum shareholding: 10% of the share capital;
- securities: shares traded on the Euronext Paris stock exchange;

Objectives:

- ensure liquidity and boost the secondary market for the Company's shares by means of an investment firm acting independently, in the framework of a liquidity contract concluded in accordance with the ethics charter accepted by the AMF,
- subsequent cancellation, either in whole or in part, of shares thus repurchased in accordance with Article L.225-209 of the French Commercial Code,
- allotment or sale of shares to current or former employees and/or current or former corporate officers of the Company and/or affiliated companies or potentially affiliated companies, under the conditions and in accordance with applicable regulations, in particular in the context of stock option plans, allotment of existing bonus shares, or company or intercompany savings plans,
- retention of shares and subsequent tender (for exchange, payment or other) within the framework of external growth transactions,
- coverage of marketable securities that give right to allotment of Company shares by remitting them after the exercise of rights attached to marketable securities that give right to the Company shares through redemption, conversion, exchange, presentation of warrant or any other means,
- implementation of all accepted market practices or practices that may be accepted in the future by the market authorities, and
- any other aim, currently authorized or that may be authorized in the future, by applicable law or regulations, provided the relevant information is duly communicated to the Company's shareholders.

The liquidity contract between the Company and Crédit Agricole Chevreux was terminated on August 9, 2010.

As of August 9, 2010 cash and cash equivalents consisted of: 1,290,000 securities and €20,633,689.33. On that date, the Company signed a liquidity contract with Rothschild & Cie Banque in accordance with the AMF September 23, 2008 Ethics Charter for Investment Companies. The contract was for an initial period August 9, 2010 to December 31, 2010, renewable for successive 12-month periods. A maximum facility of €25 million was allocated to this contract consisting of 1,290,000 Company shares and €6,400,000.

As from March 2, 2011 and pursuant (a) to the decision of the Board of Directors' meeting of February 8, 2011 and (b) to Article 11 of the liquidity contract, the Company decided a complementary contribution in cash amounting to €15 million.

On May 20, 2010, the Board of Directors resolved to implement the delegation awarded by the Shareholders' Meeting of the same date and in accordance with the objectives authorized by Resolution 17 of the same meeting. Pursuant to Article L. 225-211 of the French Commercial Code and Article 241-2 of the AMF General Regulations, arising from the Order of January 30, 2009, the Company specifies that it has engaged in the following stock market transactions from the start of the program to December 31, 2010:

- The Company acquired 7,500,924 of its own shares for a total value of €113.6 million (i.e., an average price per share of €15.15), 5,568,767 of which were under the liquidity contract and 1,932,157 of which were held to hedge stock options and bonus share allocation plans.
- Over the same period, the Company sold 5,637,042 of its own shares for a total of €87 million (i.e., an average price per share of €15.43).

In order to hedge the stock options allocated to certain SUEZ ENVIRONNEMENT Group employees by the Board of Directors decision of December 17, 2009, the Company in 2010 entered into the derivatives transactions shown in the table below:

Date	Purchase/ Sale	Option/ Term	Number of shares	Maturity	Market
May 10, 2010	Purchase	Option	1,833,348	Dec 13, 2017	Over-The-Counter
TOTAL			**1,833,348**		

On December 31, 2010 the Company held 2,164,492 shares (of which 2,032,157, including securities acquired for this purpose in 2009, were for hedging stock options and bonus share allocations) with a market value on that day of €32.6 million[(1)].

Between January 1, 2010 and February 7, 2011 the Company acquired 2,417,073 of its own shares for a total of €36.8 million (i.e., an average price per share of €15.23) under this liquidity contract.

Over the same period, the Company sold 1,999,798 of its own shares under this liquidity contract for a total value of €30.6 million (i.e., an average price per share of €15.31).

On February 7, 2011, the Company held 0.53% of its share capital, i.e., 2,581,767 shares (of which 2,032,157 shares were held to hedge stock options and bonus share allocations).

To date, there has been no share cancellation or reclassification.

Description of the share buyback program for submission to the Combined Ordinary and Extraordinary Shareholders' Meeting on May 19, 2011

Pursuant to Articles 241-1 to 241-6 of the General Regulations of the French Financial Markets Authority (AMF), the purpose of this program description is to outline the objectives and conditions of the SUEZ ENVIRONNEMENT COMPANY share buyback program to be submitted to the combined Ordinary and Extraordinary Shareholders' Meeting on May 19, 2011.

21.1.3.1 MAIN CHARACTERISTICS OF THE PROGRAM

The potential main characteristics of this program are described below:

- securities: shares traded on the Euronext Paris stock exchange;
- maximum capital buyback percentage authorized by the Shareholders' Meeting: 10%;
- maximum number of shares that can be purchased based on the share capital at December 31, 2010: 48,969,906 shares;
- maximum authorized purchase price per share: €25.

(1) Average monthly share price for December 2010.

21.1.3.2 OBJECTIVES OF THE SHARE BUYBACK PROGRAM

The objectives pursued by SUEZ ENVIRONNEMENT COMPANY within the framework of this share buyback program are set forth below:

- ensure liquidity and boost the Company's shares on the secondary market by an investment firm acting independently, in the framework of a liquidity contract concluded in accordance with the ethics charter accepted by the AMF;
- subsequent cancellation, either in whole or in part, of shares thus repurchased in accordance with Article L. 225-209 of the French Commercial Code, in the context of a capital reduction approved or authorized by the combined Ordinary and Extraordinary Shareholder's Meeting;
- allotment or sale of the shares to current or former employees, or to current or former corporate officers of the Company and/or affiliated companies or potentially affiliated companies, under the conditions and in accordance with applicable regulations, in particular in the context of stock option plans, allotment of existing bonus shares or company or intercompany savings plans, including with a view to selling the shares with or without discount, under the conditions set out in article L. 3332-18 and following of the French Labor Code or via share plans governed by foreign law;
- retention of shares and subsequent tender (for exchange, payment or other) within the framework of an external growth transaction, provided that the maximum number of shares acquired for retention and subsequently tendered for compensation or exchange during a merger, spin-off or contribution does not exceed 5% of the share capital;
- coverage of marketable securities that give right to allotment of Company shares by remitting them after the exercise of rights attached to marketable securities that give right to the Company shares through redemption, conversion, exchange, presentation of warrant or any other means;
- in general, pursue any other goal which is or would become authorized by law or regulations, or engage in any market practice that is or would become accepted by financial markets regulators, provided Company shareholders are notified thereof.

21.1.3.3 TERMS AND CONDITIONS

(a) Maximum portion of capital that may be acquired and held and maximum amount payable by the Company

The maximum portion of capital acquired and held by the Company may not exceed 10% of the share capital, up to a total maximum nominal amount of €196 million. SUEZ ENVIRONNEMENT COMPANY reserves the right to utilize the authorized program in its entirety.

(b) Duration of the share buyback program

Pursuant to the resolution to be proposed to the Shareholders' Meeting of May 19, 2011, the share buyback program may be implemented for 18 months from the date of the Shareholders' Meeting, i.e., until November 20, 2012.

21.1.4 OTHER EQUITY INSTRUMENTS

None.

21.1.5 AUTHORIZATIONS AND DELEGATIONS OF AUTHORITY GRANTED BY THE COMPANY'S SHAREHOLDERS' MEETING

The delegations and authorizations to issue shares and other securities approved by the Company's combined Ordinary and Extraordinary Shareholders' Meeting of May 26, 2009 and May 20, 2010 are the following:

AUTHORIZATIONS AND DELEGATIONS OF AUTHORITY GRANTED BY THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS' MEETINGS OF MAY 26, 2009 AND MAY 20, 2010

Authorizations/Delegations of authority	Validity period	Authorized ceiling	Amount used	Balance
1. Capital increase by issuing ordinary shares and/or marketable securities conferring entitlement, immediately or in the future, to Company shares, while retaining preferential subscription rights ("PSR") (Resolution 15)	26 months from 05/20/2010	€220 million (1) (2)	Not used	
2. Capital increase by issuing ordinary shares and/or marketable securities conferring entitlement, immediately or in the future, to Company shares, with removal of preferential subscription rights (Resolution 16)	26 months from 05/20/2010	€220 million (2) (3)	Not used	
3. Issue, in accordance with article L411-2 II of the French Monetary and Financial Code, of shares and marketable securities conferring access to share capital, with removal of preferential subscription rights (Resolution 17)	26 months from 05/20/2010	€220 million (3)	Not used	
4. Increase in the amount of the issues, with retention or removal of shareholders' preferential subscription rights (Resolution 18)	26 months from 05/20/2010	up to a maximum of 15% of the initial issue (2)	Not used	
5. In the event of an issue of ordinary shares and/or marketable securities conferring entitlement, immediately or in the future, to shares, with removal of shareholders' preferential subscription rights, increasing these shares with a view to setting the issue price within the limit of 10% of the Company's capital (Resolution 19)	26 months from 05/20/2010	€196 million (2)	Not used	
6. Capital increase with a view to payment of contributions in kind consisting of equity securities or marketable securities conferring entitlement to the share capital (Resolution 20)	26 months from 05/20/2010	€196 million (up to 10% of the share capital) (2)	Not used	
7. Capital increase by incorporating additional paid-in capital, reserves, profits or any other amount for which capitalization is authorized (Resolution 21)	26 months from 05/20/2010	€220 million (1) (2)	Not used	
8. Capital increase for payment of contributions of securities performed in the context of a public exchange offer (Resolution 22)	26 months from 05/20/2010	€220 million (3) (2)	Not used	
9. Issue of mixed securities representing debt (Resolution 23)	26 months from 05/20/2010	€3 billion	Not used	
10. Capital increase by issuing shares or marketable securities conferring access to share capital, restricted to members of the savings plan with removal of their preferential subscription rights (Resolution 24)	26 months from 05/20/2010	€28 million (2)	Not used	
11. Authorization to trade in its own shares on the stock exchange (Resolution 13)	18 months from 05/20/2010	up to a maximum holding of 10% of the share capital	0.44% at 12/31/2010	9.56%
12. Authorization to reduce share capital by cancelling treasury shares (Resolution 14)	18 months from 05/20/2010	10% of the share capital by 24-month period	Not used	

Authorizations/Delegations of authority	Validity period	Authorized ceiling	Amount used	Balance
13. Authorization to be given to the Board of Directors to award stock subscription or purchase options to employees of the Company and/or Group companies, as well as to corporate officers (Resolution 10 of the AGM of May 26, 2009)	38 months from 05/26/2009	Maximum holding of 1.5% of the share capital on the date of allocation by the Board of Directors	Allocation on December 17, 2009 of 3,464,440 options, i.e., 0.71% of the share capital Allocation on December 16, 2010 of 2,944,200 options, i.e. 0.60% of the share capital Total options allocated 6,408,640 or 1.31% of the share capital	0.19% of the share capital
14. Authorization to allocate bonus shares to employees of the Company or Group companies, as well as to corporate officers (Resolution 26)	24 months from 05/20/2010	Maximum holding of 1% of the share capital	Allocation on 12/16/2010 of 829,080 performance shares, i.e., 0.17% of the share capital	0.83% of share capital
15. Increase in the share capital, with suppression of preferential subscription rights, in favor of any entity whose sole purpose is to facilitate access to the share capital of SUEZ ENVIRONNEMENT COMPANY by foreign employees of the Group (Resolution 25)	18 months from 05/20/2010	Nominal amount of €12 million (2)	Not used	

(1) *Combined total ceiling for Resolutions 15 and 21.*

(2) *Combined total ceiling of €392 million for resolutions 1, 2, 3, 4, 5, 6, 7, 8, 10, 15.*

(3) *Combined total ceiling for Resolutions 16, 17 and 22.*

The Shareholders' Meeting of May 19, 2011 will be asked to renew in similar terms Resolutions 13, 14 and 25 and those approved at the General Meeting of May 20, 2010. The renewals proposed to the General Meeting of May 19, 2011 are explained in the Board of Directors' report in Section 26.2 of this Reference Document.

21.1.6 OPTIONS OR AGREEMENTS CONCERNING THE COMPANY'S SHARE CAPITAL

GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva, CNP Assurances and SUEZ ENVIRONNEMENT COMPANY entered into a shareholders' agreement dated June 5, 2008 with regard to their shareholding in SUEZ ENVIRONNEMENT COMPANY, described in section 18.3 of this Reference Document.

21.1.7 HISTORY OF THE SHARE CAPITAL

Date	Type of transaction	Capital prior to transaction *(in euros)*	Issue/ contribution premium	Shares created	Nominal value *(in euros)*	Cumulative number of shares	Capital after transaction *(in euros)*
2006	N/A	40,000	N/A	N/A	16	2,500	40,000
2007	Split by 4	40,000	N/A	7,500	4	10,000	40,000
	Capital increase (a)	40,000	N/A	46,250	4	56,250	225,000
2008	Capital increase (b)	225,000	4,198,819,093	489,642,810	4	489,699,060	1,958,796,240

(a) *Subscription form signed on December 28, 2007; capital increase on January 4, 2008.*

(b) *Remuneration of the SUEZ ENVIRONNEMENT shares that SUEZ contributed to SUEZ ENVIRONNEMENT COMPANY.*

In 2009 there were no transactions involving share capital.

21.2 MEMORANDUM OF ASSOCIATION AND BYLAWS

21.2.1 PURPOSE OF THE COMPANY

The purposes of the Company are as follows, in all countries and by all means:

1. The provision, in any form whatsoever, of all services connected to the environment, and in particular:
   - all services for the production, transportation and distribution of water, for all domestic, industrial, agricultural or other needs and uses, on behalf of local public authorities or private individuals;
   - all wastewater treatment services, including the disposal of sewage of domestic, industrial or other origin;
   - all services that may directly or indirectly concern the collection, sorting, treatment, recycling, incineration, or recovery of all types of waste, by-products and residues, and generally any activity or venture related to waste management;
   - the creation, acquisition, operation or divestment of all transport and road haulage services;
   - the creation, purchase, sale, leasing, rental, management, installation and operation of any facility relating to waste management; and
   - generally, all services on behalf of local public authorities, private entities and private individuals connected with the above.
2. On an ancillary basis, the production, distribution, transportation, utilization, management and development of energy in all its forms.
3. The study, setup and completion of all projects, services, and public or private works on behalf of any local public authorities, private entities or private individuals; the preparation and awarding of all contracts of any type whatsoever relating to those projects and works.
4. The acquisition of equity interests by obtaining shares, interests, bonds and other corporate securities, existing or to be created in the future, via subscription, purchase, contribution, exchange or any other means, and the capacity to divest such interests;
5. The acquisition, purchase, divestment and operation of any patent, trademark, model, patent license or process.
6. The granting of any guarantee, first-call guarantee and other surety to any Group company or entity, in the course of their business, as well as the financing or refinancing of their activities.
7. The subscription of any borrowing or, more generally, the use of any type of financing, specifically the issue or, as the case may be, the subscription of debt securities or financial instruments, in order to finance or refinance the Company's business activity.
8. And more generally, all industrial, financial, commercial, movable asset, or real estate transactions that may be connected directly or indirectly to one of the purposes specified above or any other similar or connected purpose or a purpose that would benefit and develop the Company's businesses.

21.2.2 PROVISIONS RELATING TO ADMINISTRATIVE AND MANAGEMENT BODIES

21.2.2.1 BOARD OF DIRECTORS

(a) Internal Regulations of the Board of Directors

The Board of Directors has adopted a set of Internal Regulations to lay out the conditions for the functioning of the Company's Board.

(b) Composition of the Board of Directors (Article 10 of the bylaws)

The Company is administered by a Board of Directors consisting of no less than three and no more than 18 members, although a departure from the above numbers is permitted by law in the event of a merger.

Directors are appointed, renewed, and dismissed in compliance with applicable legal and regulatory provisions.

They are appointed for a four-year term. Nevertheless, a Director who is appointed to replace another whose term has not expired shall only remain on the Board for the remainder of his predecessor's term.

Each Director must hold at least 2,000 shares.

The number of Directors who have reached the age of 70 cannot, at any time, exceed a third of the total number of Directors in office. If the number of Directors is not exactly divisible by three, then the resulting figure is rounded up.

Except in the case of termination of the employment contract (of an Executive Director), or resignation, dismissal or death, a Director's term ceases at the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year that Director's appointment expires.

(c) Chairman of the Board of Directors (Article 11 of the bylaws)

The Board of Directors appoints a Chairman from among its members. The Chairman may propose that the Board of Directors appoints one or more members to the position of Vice-Chairman.

Irrespective of the term of office, the Chairman's term shall expire at the latest at the close of the Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year the Chairman reaches the age of 65. However, at the next meeting it holds after that Shareholders' Meeting, the Board of Directors may extend this term on one or more occasions for a total duration not to exceed three years.

The Board is chaired by the Chairman, or in his absence, a Director chosen by the Board of Directors at the opening of the meeting.

The Chairman of the Board organizes and manages its work and reports on it to the Shareholders' Meeting. The Chairman ensures that the Company's governing bodies function correctly and, in particular, that the Directors are fit to carry out their duties.

(d) Functioning of the Board of Directors (Article 1 of the Internal Regulations of the Board of Directors)

The Board of Directors meets as often as the interests of the Company and the legal and regulatory provisions require, and at least once a quarter.

Notices of meetings may be circulated by the Board Secretary or the Company Secretary, and are sent by letter, telegram, fax, electronic mail, or communicated verbally.

The Board is chaired by the Chairman, or in his absence, by a Director chosen by the Board at the opening of the meeting.

The Chairman of the Board organizes and manages its work and reports on it to the Shareholders' Meeting. The Chairman ensures that the Company's governing bodies function correctly and, in particular, that the Directors are fit to carry out their duties.

If so provided in the meeting notice, Board meetings may be held by videoconference, electronic means of telecommunication or other remote transmission means, subject to and in accordance with the conditions laid down by the applicable laws and regulations.

An attendance register is kept at the Company's headquarters and signed by the members of the Board of Directors attending the meeting, in their own name or on behalf of other members of the Board they represent. In accordance with the provisions of applicable laws and regulations, any proxies granted by letter or, if need be, faxed, sent by telegram or e-mail, are attached to the attendance register. A Director may only represent one colleague in the course of the same meeting.

Meetings are held at the Company's headquarters located at Tour CB21, 16 place de l'Iris 92040 Paris La Défense, France or in any other location indicated in the meeting notice.

(e) Meeting of the Board of Directors and proceedings (Article 12 of the bylaws)

The Chairman calls the Directors to meetings of the Board of Directors, which are held at the headquarters or at any other location indicated by the author of the meeting notice. If the Board has not met for at least two months, then at least one third of the Board members may ask the Chairman to call a meeting on a specific agenda. The Chief Executive Officer may also request that the Chairman call a Board meeting on a specific agenda.

Notices of meetings may be issued by any means, including verbally.

A legal quorum and majority is required for the Board to make decisions. In the event of a tied vote, the meeting Chairman has the deciding vote.

The Board appoints a person to act as Secretary, who need not be a member of the Board.

At the Chairman's request, senior executives may attend Board meetings in an advisory capacity.

(f) Powers of the Board of Directors (Article 14 of the bylaws)

The Board of Directors determines the key Company strategies and supervises their implementation. Without prejudice to the powers expressly attributed to the Shareholders' Meetings and falling within the limits of the Company's purpose, the Board deals with all issues concerning the management of the Company and decides on relevant matters through its debates.

The Board of Directors monitors and supervises activities as it deems appropriate. The Company Chairman or Chief Executive Officer must forward to each Director the documents and information they require to carry out their duties.

(g) Compensation of Directors (Article 16 of the bylaws)

The Shareholders' Meeting may award a fixed annual amount as Directors fees to the Board of Directors, which shall remain the same until further notice.

Members of the Board of Directors may also be awarded other compensation from time to time, in the circumstances and under the conditions set forth by law.

21.2.2.2 GENERAL MANAGEMENT

(a) Chief Executive Officer (Article 17 of the bylaws)

The Chairman of the Board of Directors, or another person appointed by the Board of Directors from among its members with the title of Chief Executive Officer, takes responsibility for the general management of the Company. In accordance with these bylaws, the decision of the Board of Directors as to which of the above two persons should take responsibility for the general management of the Company, is made by majority vote of the Directors present or represented, after consultation with the Chairman of the Board and the Chief Executive Officer.

A Decree of the Conseil d'Etat sets out the terms and conditions for notification of this decision to shareholders and third parties.

The Chief Executive Officer holds the most extensive powers to act, under all circumstances, on behalf of the Company. The Chief Executive Officer exercises these powers within the limit of the Company's purpose and without prejudice to the powers expressly granted by law to the Shareholder's Meetings and the Board of Directors.

Irrespective of the period of the appointment, the term of office of the Chief Executive Officer expires no later than the close of the Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year the Chief Executive Officer reaches the age of 65. However, the Board of Directors may extend the period of this appointment, on one or more occasions, for a total term not exceeding three years.

In the event the Chief Executive Officer (CEO) ceases to be a Director during his term of office, he shall remain CEO until the term of his appointment by the Board of Directors.

When the Company's general management is in the hands of the Chairman of the Board of Directors, the provisions of law and the Bylaws relating to the Chief Executive Officer apply to the Chairman of the Board of Directors.

(b) Exercise of power by the Chief Executive Officer (Article 3 of the Internal Regulations of the Board of Directors)

1. The following decisions of the Chief Executive Officer are to be submitted for the prior approval of the Board of Directors:

   - major decisions to set up a foreign facility by creating an establishment, a direct or indirect subsidiary or the acquisition of an equity interest, and the decision to withdraw such facilities;
   - significant transactions likely to affect Group strategy or modify its financial structure or the scope of its activity.

   The Chief Executive Officer takes full responsibility for appraising the significant nature of the above decisions or transactions.

2. The Chief Executive Officer must obtain prior authorization from the Board of Directors to acquire or sell any company valued at over €350 million, to acquire or divest an equity interest in any current or future company, to participate in the creation of companies, joint ventures, groups or bodies, or to subscribe to share or bond issues, if the value of such transactions exceeds €350 million.

3. The Chief Executive Officer shall obtain prior authorization from the Board of Directors to carry out the following transactions if their amount exceeds €1 billion:

   a. with the exception of those cases listed in 2. above, agreeing contributions or exchanges, with or without boots, in respect of assets, securities or other financial instruments,

   b. acquisition or disposal of buildings, goodwill or financial instruments,

- **c.** in the event of a dispute, concluding agreements or settlements and accepting arbitration settlements,
- **d.** granting or taking out loans, borrowings, credits or advances,
- **e.** granting liens on company assets, and
- **f.** acquiring or disposing of receivables by any method.

The Chief Executive Officer must consult the Board in good time prior to making an appointment to a general management position within the Group or proposing the appointment of a Chairman of a parent company of one of the Group's business branches. The Board may alternatively delegate this consultative function to the Appointments and Compensation Committee, which shall then report back to the Board of Directors.

(c) Chief Operating Officers (Article 18 of the bylaws)

At the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer, with the title of Chief Operating Officer. The maximum number of Chief Operating Officers is five.

If a Chief Operating Officer is also a Director, the term of his appointment cannot exceed his term of office as Director.

Irrespective of the period of the appointment, the term of office of the Chief Operating Officer shall expire no later than the close of the Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year the Chief Operating Officer reaches the age of 65. However the Board of Directors, at the proposal of the Chief Executive Officer, may extend the period of this appointment on one or more occasions for a total term not to exceed three years.

With the approval of the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers granted to Chief Operating Officers, who nonetheless have the same authority as the Chief Executive Officer in their dealings with third parties.

The Chief Operating Officers have the authority to delegate their powers and to appoint as many authorized agents as they wish, with the authority to sub-delegate.

21.2.3 RIGHTS, PRIVILEGES AND RESTRICTIONS ATTACHED TO SHARES

Rights attached to shares (Article 8 of the bylaws)

Each share, regardless of its class, confers the right to a share in the ownership of company assets and the liquidating dividend, pro rata to the share capital it represents, if need be taking into account whether capital is amortized or not, paid up or not.

All shares comprising current or future share capital, regardless of their class, shall always be taxed on an equal footing. Consequently, any taxes and duties that may be owed for any reason as a result of total or partial repayment of the par value of those shares, either during the life of the Company or at the time of liquidation, shall be spread among all shares making up the share capital at the time of these repayments, so that all current or future shares entitle their owners to the same actual benefits and the right to receive the same net sum, after taking the non-amortized par value of the shares and rights to those shares into account, where applicable.

Without prejudice to the laws governing the right to vote at Shareholders' Meetings and shareholders' right to information, shares are indivisible for the Company. Hence, co-owners shall be represented at the Shareholders' Meeting by one of them, or by a single proxy, to be appointed by the courts in the event of a dispute.

When, in order to exercise a right, a shareholder must hold several securities of a particular type or class, the holder shall be personally responsible for gathering the required number or buying or selling the necessary number of shares.

21.2.4 TERMS AND CONDITIONS FOR AMENDING SHAREHOLDERS' RIGHTS

None.

21.2.5 SHAREHOLDERS' MEETINGS

(a) Participation in General Meetings (Articles 20, 21 and 22 of the Bylaws)

All shareholders may attend Meetings in person or through a proxy, irrespective of the number of shares held. Attendance is subject to proof of identity and registration of the shares in their name or in the name of a proxy, by 00:00 Paris time on the third business day prior to the meeting, either in the register of shares held by the Company or in the register of bearer shares held by an authorized intermediary.

If the Board of Directors or its Chairman should so decide when convening a Shareholders' Meeting, shareholders may participate in that meeting by videoconference or by other means of electronic telecommunication or remote transmission. Shareholders' meetings are called and conducted in accordance with the law.

Meetings are held at the Company's headquarters, at any other location within the same *département* (French administrative jurisdiction) or in a neighboring *département*.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in the Chairman's absence, by a Director specially appointed for this purpose by the Board of Directors. Failing that, the meeting shall elect its own Chairman.

The function of teller shall be carried out by the two shareholders, present and willing, who hold, either themselves or by proxy, the highest number of voting rights. The committee thus formed shall appoint a Secretary, who need not be a shareholder.

(b) Voting rights (Article 23 of the bylaws)

The voting rights attached to shares are equal to the proportion of the share capital they represent and each share confers the right to at least one vote.

In Ordinary and Extraordinary Shareholders' Meetings, the usufructuary holds the voting rights attached to usufruct shares.

All shareholders may vote by correspondence in accordance with the conditions and in the manner set by current legal and regulatory provisions. These provisions also provide that shareholders may submit their proxy and ballot by correspondence, either in paper format or, if notified by the Board of Directors in the meeting notice, electronically.

21.2.6 PROVISIONS TO DELAY, POSTPONE OR PREVENT A CHANGE OF CONTROL OF THE COMPANY

The Bylaws contain no provisions likely to delay, postpone or prevent a change of control of the Company.

21.2.7 BYLAWS THRESHOLDS

Form of securities

Fully paid-up shares can be held as registered or bearer shares, at the discretion of the shareholder.

Registration of shares

Shares and all other securities issued by the Company are posted to their owners' accounts, in accordance with the applicable legal and regulatory provisions.

Where shares are in certificate form, the Board of Directors may grant authority to any person, even a person outside the Company, to sign such certificates.

Identification of shares

In accordance with current legal and regulatory provisions, the Company may require, at any time, that the clearing agent provides the name, and if a corporation, the corporate name, nationality, and address of shareholders conferring entitlement, immediately or in the future, to a right to vote at Company Shareholders' Meetings, as well as the number of shares held by each and, where applicable, any restrictions to which they may be subject.

Notifications to be made to the Company

Any individual or legal entity, either alone or in concert, who comes to hold or ceases to hold a fraction of the share capital or voting rights equal to or exceeding 1%, and then, after this threshold, any multiple of 1% up to a threshold of 33% of the share capital or voting rights, is required to notify the Company, by registered letter with acknowledgement of receipt, within five business days of crossing one of these thresholds, stating the total number of shares they hold directly, indirectly or jointly. To determine these thresholds, account will also be taken of shares held indirectly and of quasi-shares as defined in the provisions of Articles L. 233-7 et seq. of the French Commercial Code.

If one of these thresholds is crossed within five business days before the date of a Company Shareholders' Meeting, the abovementioned notification shall be made at the latest before the meeting's committee certifies the accuracy of the attendance register, in a manner that ensures the Company receives it before certifying attendance.

Any individual or legal entity, acting alone or in concert, who comes to hold or ceases to hold a fraction of the share capital or voting rights equal to or exceeding 10% and 20%, is required to notify the Company by registered letter with acknowledgement of receipt within ten business days of crossing one of these thresholds, of the objectives that the individual or legal entity intends to pursue over the next twelve months, pursuant to Article 233-7 of the French Commercial Code.

To the fullest extent permitted by law, failure to comply with the above provisions is sanctioned by the withdrawal of voting rights in respect of the undeclared shares that exceed the fraction at any Shareholders' Meeting held between the time the threshold is exceeded, and notification thereof not given, and a period of two years from the date due notification is provided under the terms cited above. Nevertheless, this sanction will only apply if one or more shareholders holding at least 5% of the Company's share capital so request.

21.2.8 SPECIFIC PROVISIONS GOVERNING CHANGES TO THE SHARE CAPITAL

There are no specific provisions governing changes to the share capital stricter than the law.

22 SIGNIFICANT CONTRACTS

The most significant contracts, other than contracts concluded in the normal course of business, are described in Sections 6, 18 and 19 of this Reference Document. These include:

- the Shareholders' agreement entered into by SUEZ ENVIRONNEMENT COMPANY, SUEZ ENVIRONNEMENT España, Criteria CaixaCorp and Hisusa Holding de Infraestructuras y Servicios June 7, 2010 following the reorganization of Agbar (see Section 6.5.2.2 (a)). This Agreement replaces the agreement signed July 18, 2006;

- the Shareholders' agreement entered into by the Group and Beauty Ocean Limited/New World Infrastructure Limited, in respect of Sino-French Holdings (see Section 6.5.4.2 (b) (i));

- the Shareholders' agreement entered into by SUEZ ENVIRONNEMENT, Cofely (the successor of Elyo), Fipar Holding and Al Wataniya in December 2004 in respect of Lydec (see Section 6.5.4.2 (c) (ii));

- the Shareholders' agreement relating to the Company entered into by SUEZ (all of whose rights and duties under the shareholders' agreement were assumed by GDF SUEZ following the merger), Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva, CNP Assurances and SUEZ ENVIRONNEMENT COMPANY (see Section 18.3); and

- agreements entered into by the Group and GDF SUEZ, particularly the cooperation and shared services agreement, the brand-name licensing agreement and the framework financing agreement (see Section 19).

23 INFORMATION FROM THIRD PARTIES, STATEMENTS OF EXPERTS, AND DECLARATIONS OF INTEREST

None.

24

DOCUMENTS AVAILABLE TO THE PUBLIC

24.1 CONSULTATION OF DOCUMENTS

Corporate documents relating to the Company are made available to shareholders in accordance with current legislation and may be consulted on the Company's website at the following address: www.suez-environnement.com, as well as at the Company's corporate headquarters, Tour CB21 - 16, place de l'Iris – 92040 PARIS LA DÉFENSE CEDEX, France, under applicable legal and regulatory conditions.

Reference Documents filed with the AMF for 2008, 2009 and 2010, the interim financial reports, and quarterly financial information may be consulted on the Company's website at www.suez-environnement.com under "finance, regulatory information".

In addition, the regulatory information set out in Article 222-7 of the AMF Regulations, including the annual document summarizing certain information made public by the Company in accordance with Articles L. 451-1-1 of the French Monetary and Financial Code, can be consulted on the Company's website at the following address: www.suez-environnement.com/finance/regulatory information.

Person in charge of information:

Jean-Marc Boursier

Chief Financial Officer

Tour CB21 – 16, place de l'Iris

92040 PARIS LA DÉFENSE CEDEX – FRANCE

+ 33 (0)1 58 81 20 00

24.2 SCHEDULE FOR FINANCIAL INFORMATION

Jean-Marc Boursier, Chief Financial Officer

Éléonore de Larboust, Head of Financial Communications

Telephone: + 33 (0)1 58 81 20 00

Address: Tour CB21 - 16, place de l'Iris

92040 PARIS LA DÉFENSE CEDEX - FRANCE

Website: www.suez-environnement.com

Schedule of financial communication

Presentation of annual results: February 9, 2011

Annual shareholders' meeting: May 19, 2011

2011 interim results: August 3, 2011

25 INFORMATION ON EQUITY INTERESTS

Information concerning companies in which the Company holds a part of the share capital which could have a significant impact on the assessment of its assets, its financial position, or its income is provided in sections 6 and 7, as well as in note 28, section 20.1 of this Reference Document.

26 COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 19, 2011

CONTENTS

26 COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 19, 2011

26.1 AGENDA

RESOLUTIONS OF THE ORDINARY GENERAL MEETING

1. Approval of the Parent Company's financial statements for the fiscal year ended December 31, 2010.
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2010.
3. Allocation of the net result for the 2010 fiscal year and determination of dividend.
4. Option for the payment of the dividend in shares.
5. Approval of regulated agreements and commitments set forth in Articles L. 225-38 and following. and L. 225-42-1 of the French Commercial Code.
6. Ratification of the transfer of Company's registered address.
7. Ratification of the co-optation of Ms Penelope Chalmers Small as director.
8. Appointment of Ms Valérie Bernis as Director.
9. Appointment of Mr. Nicolas Bazire as Director.
10. Appointment of Mr. Jean-François Cirelli as Director.
11. Appointment of Mr. Lorenz d'Este as Director.
12. Appointment of Mr. Gérard Lamarche as Director.
13. Appointment of Mr. Olivier Pirotte as Director.
14. Authorization to be granted to the Board of Directors to trade in the shares of the Company.

RESOLUTIONS OF THE EXTRAORDINARY GENERAL MEETING

15. Authorization to be granted to the Board of Directors to reduce the share capital through the cancellation of shares.
16. Authorization to be granted to the Board of Directors to increase the share capital, with waiver of preferential subscription rights, in favor of a class of beneficiaries of a SUEZ ENVIRONNEMENT Group international employee shareholding and savings plan.
17. Power to carry out formalities.

26.2 REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PRESENTED TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 19, 2011

You are asked to approve 17 Resolutions, the first 14 Resolutions being for the Ordinary Shareholders' General Meeting and Resolutions 15 to 17 for the Extraordinary Shareholders' General Meeting.

With respect to Resolutions 1 and 2: We ask you to approve the Parent Company's financial statements for the fiscal year ended December 31, 2010 which show a net profit of €451,527,752.77, and the consolidated financial statements for the same period showing a net result group share of €564.7 million.

Resolutions 3 and 4 – Allocation of Income – Option for share-based dividend payment

The net profit of €451,527,752.77 for the fiscal year ended December 31, 2010 plus the previous year's retained earnings of €40,464,815.83 generates a distributable income of €491,992,568.60.

Resolution 3 proposes to set a dividend of €0.65 per share for the fiscal year ended December 31, 2010 in the total amount of €318,304,389 based on the total number of outstanding shares at December 31, 2010 of 489,699,060.

It also proposes to carry forward the remainder of the income, i.e., €173,688,179.60, as retained earnings.

The dividend would be detached from the share on May 24, 2011.

It offers shareholders the choice to receive their dividend entirely in cash, or entirely in new shares as proposed by Resolution 4.

For shareholders who wish to exercise the payment in shares option, the new shares would be issued at a price equal to 90% of the average Company share price listed on Euronext Paris over the 20 trading days immediately preceding the General Meeting, less the net amount of the dividend and rounded to the next full eurocent.

The resulting shares would confer entitlement on January 1, 2011.

Note that the period of time during which shareholders could exercise this option would be limited to May 24, 2011 to June 14, 2011 inclusive.

The dividend would be paid out on June 27, 2011 in cash, or in shares for shareholders who choose the payment in shares option. If Resolution 4 is not adopted the dividend would be paid out on May 27, 2011.

Note that if the dividend that a shareholder has opted to receive in shares does not correspond to a whole number of shares, the shareholder can:

- opt to receive the next higher whole number of shares by paying the difference in cash on the option exercise date; or
- opt to receive the next lower whole number of shares plus the balance in cash.

Resolution 5 – Regulated agreements and commitments set forth in Articles L. 225-38 and following and L. 225-42-1 of the French Commercial Code

We ask you to approve the transactions governed by Articles L. 225-38 and following of the French Commercial Code, concluded by SUEZ ENVIRONNEMENT COMPANY in fiscal year 2010 and covered by the Special Report of the Statutory Auditors.

Accordingly, we ask you to approve the financing master-agreement with GDF SUEZ which maximum amount is €350 million that replaces the one approved by the General Meeting of July 15, 2008 which expired December 31, 2010.

The Special Report of the Statutory Auditors also describes the previously concluded or authorized agreements and commitments that continued into the past fiscal year.

Resolution 6 – Ratification of the transfer of the Company's registered office

SUEZ ENVIRONNEMENT decided to combine the Paris sites of its main subsidiaries to one tower at La Défense. The transfers of the various registered offices began in November 2009 and were completed with your Company's transfer decided by the Board of Directors' meeting of October 27, 2010.

We therefore ask you to ratify the transfer of the Company's registered office from 1, rue d'Astorg 75008 Paris to Tour CB 21, 16, place de l'Iris 92040 PARIS LA DÉFENSE Cedex.

Resolution 7 – Ratification of the co-optation of Ms Penelope Chalmers Small as Director

You are hereby asked to ratify the co-optation of Ms Penelope Chalmers Small to replace Mr. Dirk Beeuwsaert as Director, decided by the Board of Directors' meeting of March 17, 2011, for the term still remaining of her predecessor's appointment, i.e., up to the close of the meeting called in 2014 to approve the financial statements for the fiscal year ended December 31, 2013.

Resolutions 8 to 13 – Appointment of Directors

Note that at the time of SUEZ ENVIRONNEMENT COMPANY's IPO, all members of the Board of Directors were appointed for four years, and as a result all directors' terms are to expire simultaneously at the close of the General Meeting called to approve the financial statements of the fiscal year ended December 31, 2011.

In the interests of improved governance and in order to comply with "AFEP-MEDEF" recommendations, the Board of Directors' meeting of February 24, 2010, having requested the advice of the Nominations and Compensation Committee, decided to implement a staggered renewal of directors, a third at a time, in order to avoid having their terms expire all at once.

Note that the staggered renewal approach commenced with the Combined Ordinary and Extraordinary General Meeting of May 20, 2010.

Valérie Bernis, Nicolas Bazire, Jean-François Cirelli, Lorenz d'Este, Gérard Lamarche and Olivier Pirotte, comprising one-third of the board, tendered their resignations, effective at the close of the General Meeting of May 19, 2011.

Accordingly, Resolutions 8 to 13 ask you to appoint Valérie Bernis, Nicolas Bazire, Jean-François Cirelli, Lorenz d'Este, Gérard Lamarche and Olivier Pirotte as directors for a term of four years to expire at the close of the General Meeting in 2015 called to approve the financial statements for the fiscal year ending December 31, 2014.

Resolution 14 – Authorization to be granted to the Board of Directors to trade in the shares of the Company

The General Meeting of May 20, 2010 authorized the Company, pursuant to Resolution 13, to trade in its own shares for a period of 18 months.

Details of the use of this authorization in 2010 are set out in Section 21.1.3 of the 2010 Reference Document.

As the current authorization expires in November 2011, you are asked to terminate the unused portion of it and re-authorize the Company to trade in its own shares for a period of 18 months as from the date of this meeting.

The terms and conditions of this new authorization are identical to those previously authorized, as follows:

• maximum purchase price:	€25
• maximum holding	10% of the share capital
• maximum amount of purchases	€1,224,247,650

This new authorization has the same purpose as the one you approved last year and allows the Company to trade in its own shares (including the use of derivative financial instruments), except in the event of a public offering. The objectives of this buy-back program are in compliance with regulations and are detailed in Section 21.1.3 of the 2010 Reference Document.

Resolution 15 – Authorization to be granted to the Board of Directors to reduce the share capital through the cancellation of treasury shares

The authorization under Resolution 14 of the General Meeting of May 20, 2010 to reduce the share capital by canceling shares expires in November 2011. This authorization has not been used to date.

We ask you to terminate the current authorization and re-authorize the Board of Directors, for a period of 18 months, to reduce the Company's share capital through the cancellation of its treasury shares subject to a limit of 10% of the share capital in any consecutive 24-month period.

Resolution 16 – Authorization to be granted to the Board of Directors to increase the share capital, with waiver of preferential subscription rights, in favor of a class or classes of specific beneficiaries in connection with the implementation of the SUEZ ENVIRONNEMENT Group international employee shareholding and savings plan

Under Resolution 25, the General Meeting of May 20, 2010 authorized the Board of Directors, for a period of 18 months, to increase the share capital, with waiver of preferential subscription rights, in favor of categories of specific beneficiaries when implementing one of the various options in the SUEZ ENVIRONNEMENT Group international employee shareholding plan.

- As this authorization has not been used, we ask you to terminate it and to grant the Board of Directors a new delegation of authority whose principal characteristics are similar to those granted in the previous year: Maximum nominal increase: €12 million.

- Capital increases made under this resolution will be allocated to the ceiling of €392 million as specified in Resolution 15 of the General Meeting of May 20, 2010.

This Resolution also includes the waiver of preferential subscription rights in favor of:

(i) employees and corporate officers of foreign companies in the SUEZ ENVIRONNEMENT Group related to the Company pursuant to Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code;

(ii) and/or mutual funds or other incorporated or unincorporated entities of employee shareholders invested in Company shares whose unitholders or shareholders consist of the persons cited in Sub-section (i) of this Section;

(iii) and/or any banking establishment acting at the Company's request for the purpose of implementing an employee shareholding or savings plan.

The issue price of the new shares or securities may be set as follows:

- either (a) under the same conditions as specified in Article L. 3332-21 of the French Labor Code, the subscription price being at least 80% of the average listed share price over the 20 trading days immediately preceding the decision setting the opening date for subscriptions under this Resolution;
- or (b) the same price as the price of the shares issued as part of the capital increase to employee members of a company savings plan (Resolution 24 of the General Meeting of May 20, 2010), provided that the price is at least 80% of the average listed share price over the 20 trading days immediately preceding the decision setting the opening date for subscriptions to the capital increase restricted to members of a SUEZ ENVIRONNEMENT Group company savings plan.

You are also asked to expressly authorize the Board of Directors, if it considers it appropriate, to reduce or eliminate the aforementioned discount, in order to comply with locally applicable legal, accounting, tax and social provisions.

You are furthermore asked to authorize the Board of Directors to determine the subscription options that will be presented to employees in each relevant country subject to applicable local laws; to select the eligible countries in which the Group has subsidiaries within its financial consolidation scope in accordance with Article L. 3344-1 of the French Labor Code, and to select the subsidiaries whose employees will be eligible to participate in the operation, and to limit share capital increases or each share capital increase to the amount of subscriptions actually received by the Company, while complying with applicable legal and regulatory provisions.

Lastly, you are asked to grant the Board of Directors all powers to implement this delegation, with the power to subdelegate as provided by law.

Resolution 17 – Power to carry out formalities

You are asked to authorize the Board of Directors to undertake all formalities in connection with this meeting.

The Board of Directors

26.3 REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

To the Shareholders,

As statutory auditors of your Company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, on the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French commercial code (*Code de commerce*), concerning the implementation, during the year, of the agreements and commitments previously approved by the General Meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

In accordance with Article L. 225-40 of the French commercial code (*Code de commerce*), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

With GDF SUEZ

Related directors

Messrs Gérard Mestrallet (Chief Executive Officer of GDF SUEZ and chairman of the Board of Directors of SUEZ ENVIRONNEMENT COMPANY) and Jean-François Cirelli (vice-chairman and executive CEO of GDF SUEZ and director of SUEZ ENVIRONNEMENT COMPANY) did not take part to the vote.

NATURE, PURPOSE AND CONDITIONS

At the October 27, 2010 meeting, your Board of Directors authorized the implementation with GDF SUEZ of a credit line limited to €350 millions in order to replace the financing framework agreement expired on December 31, 2010.

The new credit line will take effect on January 1, 2011 and expire on July 15, 2013. On the drawdown time, if need be, the margin will be set on usual market conditions which are based on credit spreads of similar industrial companies with the same rating as SUEZ ENVIRONNEMENT COMPANY. A commitment fee of fifteen points of the unused amount has been agreed between January 1, 2011 and July 15, 2013 corresponding to the credit line using period.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS AND WHICH REMAINED CURRENT DURING THE YEAR

In accordance with Article L. 225-30 of the French commercial code (*Code de commerce*), we have been advised that the following agreements and commitments which were approved by general meetings in prior years, have remained current during the year.

1. With Mr Jean-Louis Chaussade, chief executive officer and director of SUEZ ENVIRONNEMENT COMPANY

a. Nature, purpose and conditions

At their October 28, 2008 and December 18, 2008 meetings, the Board of Directors of your company authorized severance payments in the event of dismissal as chief executive officer, for the benefit of Mr Jean-Louis Chaussade, for a maximal amount equivalent to fifteen months of the total gross compensation.

Three performance criteria were decided upon:

- the average growth in revenue as provided for in the medium-term plan and measured over the period from 2008 to the year of cessation of functions (under similar economic conditions to those prevailing when the medium-term plan was prepared);
- the growth of the share price of SUEZ ENVIRONNEMENT COMPANY, which must be equal to or greater than the average growth of the CAC 40 stock market index over the period starting from July 22, 2008 to the date of cessation of functions;
- the ROCE (Return On Capital Employed), which must be greater than the average WACC (Weighted Average Cost of Capital) over this same period of time.

If two of these three criteria are fulfilled, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due.

With regard to the variable part of the total gross compensation which serves as basis for calculating the dismissal payment, the Board of Directors decided that this part would be equal to the average of the variable parts for the two years preceding the year during which the dismissal decision is taken.

b. Nature, purpose and conditions

At their October 28, 2008 and December 18, 2008 meetings, the Board of Directors of your company entitled Mr Jean-Louis Chaussade to benefit from the supplementary retirement plans applicable to the employees of SUEZ ENVIRONNEMENT COMPANY.

In the first instance, this refers to a mandatory group plan based on defined contributions in accordance with article L. 441-1 of the French insurance code (*Code des assurances*). In the second instance, it refers to a supplementary group retirement plan based on arbitrarily defined benefits. In the event of leaving the company prior to retirement, and apart from exceptions laid down by law, potential beneficiaries of these plans will only retain the rights acquired from the defined contribution plan and will lose all rights acquired from the defined benefit plan.

c. Nature, purpose and conditions

At their October 28, 2008 meeting, the Board of Directors of your Company entitled Mr Jean-Louis Chaussade to benefit from the special insurance for entrepreneurs and company owners on the one hand and insurance benefits and healthcare cover on the other hand.

The special unemployment insurance for company directors (*GSC – Garantie Sociale des Chefs et dirigeants d'entreprise*) subscribed on behalf of Mr Jean-Louis Chaussade amounts to € 5,340 in 2010.

2. With GDF SUEZ

Nature and purpose

Amendment to the shareholders' agreement of SUEZ ENVIRONNEMENT COMPANY.

Conditions

The following agreement was authorized by your Board of Directors at their October 28, 2008 meeting:

Pursuant to Article 7 of the shareholders' agreement signed on June 5, 2008, the composition of the boards of Directors of SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT COMPANY, had to remain identical at all times pending a possible merger of both companies.

The Board of Directors thus authorized the removal of the obligation that the boards of SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT be identical, the corollary being that it would be necessary to amend Article 7 of the shareholders' agreement.

3. With SUEZ

a. Nature and purpose

Shareholders' agreement of SUEZ ENVIRONNEMENT COMPANY.

Conditions

The following agreement was authorized by your Board of Directors at their June 4, 2008 meeting:

As part of the spin-off/distribution of all the Water and Waste activities of SUEZ (the "Spin-off/Distribution"), followed by the listing of your Company's shares for trading on the Euronext Paris and Euronext Brussels exchanges, SUEZ (the rights of which will be transferred to GDF SUEZ following the merger), Groupe Bruxelles Lambert, Sofina, the Caisse des Dépôts et Consignations, Areva and CNP Assurances as well as SUEZ ENVIRONNEMENT COMPANY concluded a shareholders' agreement on June 5, 2008 for a term of five years from the date of approval of the Spin-off/Distribution, renewable at the end of that period.

The shareholders' agreement will constitute a joint control as defined by article L. 233-10 of the French commercial code (*Code de commerce*), within which GDF SUEZ will play a leading role. The agreement will have the effect of giving GDF SUEZ the control of SUEZ ENVIRONNEMENT COMPANY.

The agreement shall be terminated before the end of its term in the event that (i) all shares held by the parties to the agreement should come to represent less than 20% of SUEZ ENVIRONNEMENT COMPANY's share capital, or (ii) GDF SUEZ is no longer the leading shareholder in the joint control group. Furthermore, in the event that a party should come to hold less than a third of its initial stake, then the agreement will be terminated as far as it is concerned but will remain in force and effect for the other parties.

b. Nature and purpose

Cooperation and shared services agreement between SUEZ and SUEZ ENVIRONNEMENT COMPANY.

Conditions

At their June 4, 2008 meeting, the Board of Directors of your Company authorized a cooperation and shared services framework agreement between SUEZ and SUEZ ENVIRONNEMENT COMPANY, on the conditions precedent of the distribution of 65% of SUEZ ENVIRONNEMENT COMPANY's share capital by SUEZ to its shareholders and the merger of SUEZ and Gaz de France.

This agreement defines the detailed arrangements for the cooperation between SUEZ (the rights and liabilities of which will be transferred to GDF SUEZ following the merger) and SUEZ ENVIRONNEMENT COMPANY, mainly in the areas of strategy, accounting, internal control, audit, risk, finance, tax policy, IT services, and communications.

Furthermore, SUEZ ENVIRONNEMENT COMPANY and SUEZ have reaffirmed their attachment to the SUEZ Group "Social Pact" and to the continued application of the charters and agreements signed within the group. Subject to applicable laws, rules and regulations, the employees of SUEZ ENVIRONNEMENT COMPANY and its subsidiaries will be eligible for future GDF SUEZ stock option and bonus share allocations, as well as future employee shareholder plans of GDF SUEZ.

At last, SUEZ ENVIRONNEMENT COMPANY and SUEZ mutually agree that SUEZ ENVIRONNEMENT COMPANY will continue to benefit from the centralized services provided by GDF SUEZ, and especially from the GDF SUEZ centers of expertise.

Services provided under the cooperation and shared services agreement will be invoiced between SUEZ ENVIRONNEMENT COMPANY and GDF SUEZ at market conditions.

The cooperation and shared services agreement will be automatically terminated early in the event that GDF SUEZ loses control over SUEZ ENVIRONNEMENT COMPANY, subject, as necessary, to transition periods to be determined between the parties on a case-by-case basis.

On 2010, the SUEZ ENVIRONNEMENT COMPANY Group booked €7.5 million of management fees in relation to this agreement, and €12.4 million of service fees including €6.7 million relating to the rents paid to GDF SUEZ.

4. With SUEZ and SUEZ ENVIRONNEMENT

Nature and purpose

Financing framework agreement of SUEZ ENVIRONNEMENT and SUEZ ENVIRONNEMENT COMPANY.

Conditions

As part of the spin-off/distribution of all the Water and Waste activities of SUEZ (the "Spin-off/Distribution"), followed by the listing of SUEZ ENVIRONNEMENT COMPANY's shares for trading on Euronext Paris and Euronext Brussels exchanges, the Board of Directors of your Company authorized, at their June 4, 2008 meeting, a financing framework agreement setting the main arrangements for the financing of the group for the period 2008-2010 between SUEZ, SUEZ Finance, SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT.

Financing will be provided by SUEZ Finance or by any other entity of the SUEZ Group and may be granted to any SUEZ ENVIRONNEMENT COMPANY group entity, your Company or SUEZ ENVIRONNEMENT being required to guarantee repayment if financing is granted to one of their subsidiaries. The overall amount of financing granted will be limited to the total amount of the SUEZ ENVIRONNEMENT COMPANY group's financing needs as agreed annually between SUEZ and SUEZ ENVIRONNEMENT COMPANY.

Loans will be made at market conditions depending on the duration of the loan.

SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT undertake, for the whole term of the contract and subject to certain exceptions, not to transfer all or part of their assets without the prior agreement of SUEZ group, nor to grant any lien on their assets for the purpose of obtaining financing.

The financing commitment of SUEZ group will cease and SUEZ group can demand the repayment of any financing granted should a change of control of SUEZ ENVIRONNEMENT COMPANY occur, evidenced by (i) the loss of control by SUEZ over SUEZ ENVIRONNEMENT COMPANY, (ii) the loss of control by SUEZ ENVIRONNEMENT COMPANY of SUEZ ENVIRONNEMENT within the meaning of the provisions of Article L. 233-3 of the French commercial code (*Code de commerce*), or (iii) the termination of full consolidation (within the meaning of IFRS) of SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT by SUEZ.

On December 31, 2010, the SUEZ ENVIRONNEMENT COMPANY group disposed of booked loans from GDF SUEZ Finance S.A., amounting to €156.9 million in total, and of booked cash overdraft for €50 million. Net financial expenses relating to these loans and booked by the group amounted to €41.1 million on 2010.

Courbevoie and Neuilly-sur-Seine, March 18, 2011

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

26.4 REPORTS OF THE STATUTORY AUDITORS TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 19, 2011

26.4.1 STATUTORY AUDITORS' REPORT ON THE REDUCTION IN CAPITAL (FIFTEENTH RESOLUTION)

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with article L. 225-209 of the French commercial code (*Code de commerce*) in respect of a reduction in capital by cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions of the proposed reduction in capital.

Your Board of Directors requests that it be empowered for a period of eighteen months starting on the date of the present shareholders' meeting to proceed with the cancellation of own shares the company was authorized to repurchase, representing an amount not exceeding 10% of its total share capital, by periods of twenty-four months, in compliance with the article mentioned above.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These standards require that we perform the necessary procedures to examine whether the terms and conditions for the proposed reduction in capital, which should not infringe shareholders equality, are fair.

We have no matters to report on the terms and conditions of the proposed reduction in capital.

Courbevoie and Neuilly-sur-Seine, March 18, 2011

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

26.4.2 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES OR MARKETABLE SECURITIES WITH CANCELLATION OF PREFERENTIAL SUBSCRIPTION RIGHTS (SIXTEENTH RESOLUTION)

To the Shareholders,

In our capacity as statutory auditors of your Company and in compliance with articles L. 225-135, L. 225-138 and L. 228-92 of the French commercial code (*Code de commerce*), we hereby report on the proposed authorization allowing your Board of Directors to decide on whether to proceed with the issue of shares or other marketable securities, with cancellation of preferential subscription rights, reserved to (a) employees and corporate officers of foreign companies in the SUEZ ENVIRONNEMENT Group that are related to the Company within the meaning of articles L. 225-180 of the French commercial code (*Code de commerce*) and L. 3344-1 of the French labor code (*Code du travail*); (b) and/or mutual funds or other incorporated or unincorporated entities of employee shareholders invested in Company shares whose unitholders or shareholders consist of the persons mentioned in point (a) of this paragraph; (c) and/or any banking establishment or subsidiaries of such establishment acting at your Company's request for the purpose of setting up a shareholding or savings plan for the benefit of persons mentioned in part (a) of this paragraph, provided that the authorized person's subscription in accordance with this resolution is necessary or beneficial in allowing the above-mentioned employees or corporate officers to benefit from employee shareholding or savings plans with economic benefits equivalent or similar to the plans enjoyed by other SUEZ ENVIRONNEMENT Group employees, for a maximum nominal amount of € 12 million, an operation upon which you are called to vote.

The maximum nominal amount of the capital increases that may be achieved will be put on the global maximum amount of € 392 million set in the fifteenth resolution of the General Meeting of May, 20, 2010, or if applicable, on the global maximum amount set by any similar resolution that may replace the resolution above during the validity period of this delegation.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of eighteen months, to decide on whether to proceed with one or several issues and proposes to cancel your preferential subscription rights to the capital securities to be issued. If applicable, it shall determine the final conditions of this operation.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on the other information relating to the share issue provided in the report.

We have performed those procedures which we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation and the methods used to determine the issue price of the capital securities.

Subject to a subsequent examination of the conditions for the capital increases that would be decided, we have no matters to report as to the methods used to determine the issue price of the capital securities provided in the Board of Directors' report.

As the issue price of the capital securities has not yet been determined, we cannot report on the final conditions in which the issues would be performed and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Courbevoie and Neuilly-sur-Seine, March 18, 2011

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

26.5 RESOLUTIONS

DRAFT TEXT OF RESOLUTIONS of May 19, 2011

RESOLUTIONS PRESENTED TO THE ORDINARY GENERAL MEETING

RESOLUTION 1

(The purpose of this resolution is to approve the Parent Company's financial statements for the fiscal year ended December 31, 2010)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors and the General Report of the Statutory Auditors on the financial statements for the fiscal year ended December 31, 2010, approves all the Parent Company's financial statements as presented, together with the transactions reflected in those financial statements or summarized in those reports, which show a net profit of €451,527,752.77.

RESOLUTION 2

(The purpose of this resolution is to approve the consolidated financial statements for the fiscal year ended December 31, 2010)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors and the Statutory Auditors' Report on the consolidated financial statements for the fiscal year ended December 31, 2010, approves the consolidated financial statements as presented, as well as the transactions reflected in those financial statements or summarized in those reports.

RESOLUTION 3

(The purpose of this resolution is to approve the allocation of the net result for the fiscal year ended December 31, 2010)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors and the General Report of the Statutory Auditors with regard to the financial statements for the fiscal year ended December 31, 2010, decides to allocate all of the net profit from the fiscal year, being €451,527,752.77, plus the previous balance brought forward of €40,464,815.83 making a distributable income of €491,992,568.60, as follows:

Dividend distributed for fiscal year 2010 (€0.65 per share)	€318,304,389.00
Appropriation of the balance to retained earnings.	€173,688,179.60

The dividend will be detached from the share on May 24, 2011 and will be paid out on June 27, 2011 subject to Resolution 4 being adopted by this Meeting. If it is not adopted, the dividend will be paid out on or after May 27, 2011.

The amount of €318,304,389.00 is based on the number of SUEZ ENVIRONNEMENT COMPANY shares outstanding at December 31, 2010, i.e., 489,699,060 shares, and the final amount paid will take into account the number of shares held by the Company at the time the dividend is paid.

As a result, when the dividend is paid, the dividend corresponding to treasury shares held by the Company will be posted to "Other Reserves".

In accordance with Article 243 bis of the French General Tax Code, the General Meeting formally notes that, with the exception of the payment of an interim dividend of €0.65 (total €317,621,889) decided by the Board of Directors' meeting of May 26, 2009 paid out on June 3, 2009, and the remaining dividend of €0.65 (total €318,304,389) approved by the Combined Ordinary and Extraordinary General Meeting of May 20, 2010, no other dividends have been distributed in the past three fiscal years.

In accordance with Article 158,3-2° of the French General Tax Code, individuals resident in France for tax purposes are eligible for a 40% tax allowance on the full amount of the paid dividend as approved by this General Meeting. However, it should be noted that, in accordance with Article 117-4 of the French General Tax Code, these persons can have elected, or may elect, the flat-rate withholding tax option. This option must be expressed at the time earnings are collected at the latest.

RESOLUTION 4

(The purpose of this resolution is to approve the option for the payment of the dividend in shares)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors and having noticed that the Company's share capital is fully paid-up, in accordance with Article 25 of its bylaws, grants every shareholder the option to receive in the form of new Company shares the full net dividend to which he is entitled for the shares that he owns.

If this option is exercised, the new shares will be issued at a price equal to 90% of the Company's average share price listed on Euronext Paris over the 20 trading days preceding the date of this General Meeting, less the net amount of the dividend referred to in Resolution 3 and rounded up to the next full eurocent.

The resulting shares will confer entitlement on January 1, 2011.

Any shareholder may opt to receive the dividend in cash or in new shares in accordance with this Resolution, but this option must be applied to the entire dividend to which his shares relate. The option for the payment of the dividend in shares must be exercised between May 24, 2011 and June 14, 2011, inclusive, by sending a request to a financial intermediary authorized to pay the aforementioned dividend or, in the case of direct registered shareholders in the Company, by sending the request to its agent (CACEIS CORPORATE TRUST, Direction des Opérations Service Opérations et Flux 92862 – ISSY LES MOULINEAUX CEDEX 09 FRANCE).

Shareholders who do not opt for the payment of the dividend in shares will receive their dividend in cash on or after June 27, 2011.

The same pay-out date applies to shareholders who opt for payment in shares.

If the dividend which a shareholder has opted to receive in shares does not correspond to a whole number of shares, the shareholder may:

- receive the next higher whole number of shares by paying, on the date he exercises his option, the difference in cash; or

- receive the next lower whole number of shares plus the balance in cash.

The General Meeting grants the Board of Directors all powers, including the power to subdelegate as provided by law, to ensure the implementation of the dividend payment in the form of new shares, specify the implementation and execution procedures, determine the number of shares issued pursuant to this Resolution and the resulting capital increase, make any necessary amendments to the bylaws as regards share capital and the number of shares constituting the share capital, and in general do everything necessary and useful in this matter.

RESOLUTION 5

(The purpose of this resolution is to approve the regulated agreements and commitments set forth in Articles L. 225-38 and following and L. 225-42-1 of the French Commercial Code.)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Special Report of the Statutory Auditors on the agreements and commitments governed by Articles L.225-38 and following and L. 225-42-1 of the French Commercial Code, approves the terms of the said report, formally notes that the regulated agreements and commitments approved by the previous General Meeting continued in the past fiscal year, and approves a new agreement authorized during the fiscal year ended December 31, 2010.

RESOLUTION 6

(The purpose of this resolution is to ratify the transfer of the Company's registered office)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, ratifies the transfer of the Company's registered office decided at the Board of Directors' meeting of October 27, 2010, from 1, rue d'Astorg 75008 PARIS to Tour CB21, 16, place de l'Iris, 92040 PARIS LA DÉFENSE Cedex.

RESOLUTION 7

(The purpose of this resolution is to ratify the co-optation of Ms Penelope Chalmers Small as Director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, ratifies the co-optation of Ms Penelope Chalmers Small as Director, as decided by the Board of Directors' meeting of March 17, 2011, for the remaining term of her predecessor Mr. Dirk Beeuwsaert, i.e. until the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2013.

RESOLUTION 8

(The purpose of this resolution is to appoint Ms. Valérie Bernis as Director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, decides to appoint Ms Valérie Bernis for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2014.

RESOLUTION 9

(The purpose of this resolution is to appoint Mr. Nicolas Bazire as Director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, decides to appoint Mr. Nicolas Bazire for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2014.

RESOLUTION 10

(The purpose of this resolution is to appoint Mr. Jean-François Cirelli as Director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, decides to appoint Mr. Jean-François Cirelli for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2014.

RESOLUTION 11

(The purpose of this resolution is to appoint Mr. Lorenz d'Este as Director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, decides to appoint Mr. Lorenz d'Este for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2014.

RESOLUTION 12

(The purpose of this resolution is to appoint Mr. Gérard Lamarche as Director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, decides to appoint Mr. Gérard Lamarche for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2014.

RESOLUTION 13

(The purpose of this resolution is to appoint Mr. Olivier Pirotte as Director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Management Report of the Board of Directors, decides to appoint Mr. Olivier Pirotte for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2014.

RESOLUTION 14

(The purpose of this resolution is to authorize the Company to trade its own shares)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, having reviewed the Report of the Board of Directors, and in compliance with the provisions of the French Commercial Code, specifically Articles L. 225-209 and following, the directly applicable provisions of Regulation No. 2273/2003 of the European Commission of December 22, 2003, and with market practices permitted by the French Financial Markets Authority (AMF), authorizes the Board of Directors with the power to subdelegate under conditions approved by law and the Company bylaws, to acquire the Company's shares, or arrange for them to be acquired, in order to:

- ensure the liquidity of Company shares and boost the secondary market in its shares, by using an investment services provider acting independently under a liquidity contract that complies with the ethics charter recognized by the AMF; or
- subsequently cancel all or some of the shares thus purchased in accordance with Article L. 225-209 of the French Commercial Code, under the terms of a capital reduction to be adopted or authorized by the Meeting; or
- allocate or grant shares to employees or former employees and/or to corporate officers or former corporate officers of the Company and/or companies affiliated with it, or which will be affiliated with it under the conditions and in accordance with the procedures in applicable regulations, specifically as part of the existing stock option and bonus-share allocation programs or company or inter-company savings plans, including provisions for the sale of discounted or undiscounted shares under the terms of Article L. 3332-18 and following of the French Labor Code or under the terms of shareholder plans governed by the laws of other countries; or

- retain and subsequently remit shares (by way of an exchange or payment, etc.) as part of external growth operations, provided that the maximum amount of shares purchased to retain and subsequently remit for payment or exchange as part of a merger, demerger, or contribution plan does not exceed 5% of the share capital; or

- hedge marketable securities that confer entitlement to Company shares; said shares to be remitted at the time of exercise of the rights attached to securities conferring entitlement to Company shares through redemption, conversion, exchange, presentation of a coupon or by any other means; or

- in general pursue any other goal which is or becomes authorized by law or regulations, or engage in any market practice that is or becomes approved by financial markets regulators, provided the Company's shareholders are formally notified thereof.

Share purchases volumes are subject to the following limits:

- the number of shares acquired during the term of the buyback program must not exceed 10% of the shares that make up the Company's total share capital at any moment in time, on the understanding that total share capital includes any adjustments resulting from transactions consequent on this General Meeting and, with respect to the special case of shares redeemed under the liquidity contract, the applicable number of shares used to calculate the 10% limit corresponds to the number of shares purchased, less the number of shares resold during the authorized period;

- the number of shares that the Company holds at any time must not exceed 10% of the shares that make up the Company's total share capital, on the understanding that total share capital includes any adjustments resulting from transactions consequent on this General Meeting.

The General Meeting sets the maximum purchase price at €25 per share and specifies that in any share capital transaction, in particular a split of par value or consolidation of shares, this price will be adjusted accordingly.

Consequently, for guidance, pursuant to Article R. 225-151 of the French Commercial Code, the General Meeting sets the maximum number of shares that may be purchased at 48,969,906 and the maximum overall amount allocated to the above mentioned authorized share buyback program at €1,224,247,650 calculated on the basis of the Company's share capital at December 31, 2010 consisting of 489,699,060 shares.

Shares may be purchased, sold, exchanged or transferred on one or more occasions by any means, on a regulated market, multilateral trading system, or over-the counter or through a systematic internalizer, including a public offer or transactions for blocks of shares (which may be for the entire buyback program). These means include the use of any financial derivatives, traded on a regulated market, using a multilateral trading system or over-the-counter or through a systematic internalizer, including the purchase and sale of put and call options, under the conditions laid down by market authorities. These transactions may be made at any time in line with current legal provisions, except at the time of a public offer on the Company's shares or an offer initiated by the Company in accordance with the legal provisions in force.

The General Meeting grants to the Board of Directors, in the event of a change in the par value of Company shares, the power (including the power to subdelegate) to increase the share capital through the incorporation of reserves, bonus share allocations, splitting or consolidation of shares, distribution of reserves or any other assets, share capital amortization, or any other operation involving its share capital, in order to adjust the aforementioned maximum purchase price to take into account the impact of these operations on the share price.

This authorization is granted for a term of eighteen (18) months, from the date of this meeting. It terminates the unused portion of the authorization previously granted to the Board of Directors by Resolution 13 of the Combined Ordinary and Extraordinary Shareholders' General Meeting of May 20, 2010.

The General Meeting grants all powers to the Board of Directors including the power to subdelegate subject to law and the Company's bylaws, to implement this authorization, in particular to determine the timeliness of launching a buyback program and to specify if necessary the terms and procedures to carry out the purchase program, and specifically to submit any market order,
allocate or reallocate shares acquired for purposes in accordance with legal and regulatory conditions, enter into any agreements, undertake any formalities and make statements to any bodies including the AMF, and in general do whatever is necessary in this matter.

RESOLUTIONS PRESENTED TO THE EXTRAORDINARY GENERAL MEETING

RESOLUTION 15

(The purpose of this resolution is to authorize the Board of Directors to reduce the share capital through the cancellation of treasury shares)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Report of the Board of Directors and the Special Report of the Statutory Auditors in accordance with Article L. 225-209 of the French Commercial Code:

1. authorizes the Board of Directors to reduce the Company's share capital, on one or more occasions, in the proportions and at the times it decides, by cancelling all or some of the shares

acquired by the Company itself in accordance with Resolution 14 submitted to this General Meeting or as part of a previous buy-back authorization granted by a General Meeting, up to a maximum of 10% of the Company's share capital (adjusted to take into account any transactions on the Company's share capital after the date of this Meeting) in periods of twenty-four (24) months, on the understanding that this percentage will be calculated on the day the decision is made by the Board of Directors;

2. declares this authorization to be valid for a period of eighteen (18) months, from the date of this General Meeting;

3. terminates with immediate effect the unused portion of the authorization previously granted to the Board of Directors by Resolution 14 of the Combined Ordinary and Extraordinary Annual Shareholders' General Meeting of May 20, 2010;

4. grants all powers to the Board of Directors to:

- decide on the share capital reduction(s),
- decide the final amount, specify the terms and conditions thereof and record the implementation,
- post the difference between the book value of the cancelled shares and their nominal amount to all items for reserves and premiums,
- modify the corresponding bylaws accordingly, and in general, do all that is necessary in this matter,
- subdelegate, if necessary, the aforementioned decisions.

With regard to the use of this authorization, all of the above shall comply with the applicable legal provisions.

RESOLUTION 16

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital, with waiver of preferential subscription rights, in favor of a class or classes of specific beneficiaries of the SUEZ ENVIRONNEMENT Group international employee shareholding and savings plan)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings, having reviewed the Management Report of the Board of Directors and the Special Report of the Statutory Auditors and in accordance with Articles L. 225-129, L. 225-129-2 to L. 225-129-6 and L. 225-138 of the French Commercial Code:

1. delegates to the Board of Directors its competence to decide to increase the share capital on one or more occasions, by a maximum nominal amount of €12 million, by issuing of a number of shares allocated only to the category of beneficiaries set out in Section 4 below;

2. agrees that the maximum nominal value of the share capital increase that may be effected immediately or in the future by virtue of this delegation shall not exceed the overall ceiling of €392 million cited in point 3.a (ii) of Resolution 15 of the General Meeting of May 20, 2010, or if applicable, to the overall ceiling in any similar resolution that may succeed it during the validity period of this delegation;

3. agrees that no employee's subscription may exceed the limit set by the Board of Directors under this delegation, and that any oversubscription will be reduced in accordance with the rules set by the Board of Directors;

4. resolves to waive shareholders' preferential subscription rights to any shares issued pursuant to this resolution and to reserve the right to subscribe them to the category of beneficiaries that meet the following criteria:

- employees and corporate officers of foreign companies in the SUEZ ENVIRONNEMENT Group that are related to the Company within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code;
- and/or mutual funds or other incorporated or unincorporated entities of employee shareholders invested in Company shares whose unitholders or shareholders consist of the persons cited in the first sub-paragraph of this Section;
- and/or any banking establishment or subsidiary of such establishment acting at the Company's request for the purpose of setting up a shareholding or savings plan for the benefit of persons cited in the first sub-paragraph of this Section, provided that the authorized person's subscription in accordance with this Resolution is necessary or beneficial in allowing the above-cited employees or corporate officers to benefit from employee shareholding or savings plans with economic benefits equivalent or similar to the plans enjoyed by other SUEZ ENVIRONNEMENT Group employees;

5. decides that the issue price of the shares or securities will be set either (a) on the same terms as in Article L. 3332-21 of the French Labor Code, the subscription price being at least 80% of the average listed share price over the last 20 trading days immediately preceding the date of the decision setting the opening date for subscriptions under this Resolution, or (b) equal to the price of the shares issued as part of the capital increase benefiting the employees who are members of a company savings plan, pursuant to Resolution 24 of the General Meeting of May 20, 2010, which will be at least 80% of the average share price listed on Euronext Paris over the last 20 trading days immediately preceding the date of the decision

setting the opening date for subscriptions to the capital increase restricted to members of a SUEZ ENVIRONNEMENT Group company savings plan.

Notwithstanding, the General Meeting expressly authorizes the Board of Directors, if it considers it appropriate, to reduce or eliminate the agreed discount, in particular to take into account locally applicable legal, accounting, tax and social provisions. For the specific requirements of an offer made to the beneficiaries cited in 4(a) above who are resident in the United Kingdom, as part of a "Share Incentive Plan", the Board of Directors may also decide that the subscription price of new shares to be issued as part of this plan shall be equal to the lower of (i) the Euronext Paris opening share price in the reference period used to set the share price for the plan or (ii) the closing share price in the same reference period, the start and end dates of that reference period being determined under local regulations. This price will include no discount on the reference share price.

6. authorizes the Board of Directors, with the power to subdelegate as permitted by law, to determine the subscription options that will be offered to employees in each of the relevant countries in accordance with local legal restrictions; and to choose from among the countries in which the Group Company's total share capital at any moment in time, on the understanding that total share capital includes any adjustments resulting from transactions consequent on this General Meeting and, with respect to the special case of shares redeemed under the liquidity contract, the applicable number of shares used to calculate the 10% limit corresponds to the number of shares purchased, less the number of shares resold during the authorized period; has subsidiaries within the financial consolidation scope, those to whom the offer will apply pursuant to Article L. 3344-1 of the French Labor Code as well as the subsidiaries whose employees will be eligible to participate in the operation;

7. resolves that the amount of the share capital increase or each share capital increase will be limited, if necessary, to the amount of each subscription received by the Company, while adhering to applicable legal and regulatory provisions;

8. grants the Board of Directors all powers to implement this delegation, including the power to subdelegate as permitted by law and subject to the limitations and the conditions specified above, specifically to:

- decide the list of beneficiary(ies) of the waiver of preferential subscription rights in the category defined above, as well as the number of shares that a beneficiary or beneficiaries may subscribe to;
- decide the opening and closing dates of the subscriptions;
- set the number of shares that will be issued under this delegation of authority including specifically the issue price, dates, deadlines, terms and conditions for subscription, payment, delivery and entitlement (including any retroactive provisions) the reduction rules applicable in the event of oversubscription as well as the other terms and conditions of issuance, within the legal and regulatory limitations in force;
- report the completion of the capital increases up to the amount of the subscribed shares (after any reduction in the event of oversubscription);
- deduct, where necessary, the capital increase expenses from the corresponding premiums collected and withhold the necessary sums from this amount to bring the legal reserve to 10% of the new share capital resulting from these capital increases;
- enter into agreements, conduct operations directly or indirectly through a broker, including carrying out the formalities arising from the capital increases and amending the bylaws accordingly and, generally to enter into any agreement with the specific purpose of ensuring the successful conclusion of intended issues, to handle all measures, decisions and formalities necessary for the issue, listing and financial servicing of the shares issued by virtue of this delegation, and to permit the exercise of the rights attached thereto or arising from the capital increase carried out;

9. limits the authorization granted to the Board of Directors by this resolution to a period of eighteen (18) months as of the date of this meeting;

10. terminates the unused part of the authorization previously granted to the Board of Directors in Resolution 25 of the Combined Ordinary and Extraordinary Shareholders' General Meeting of May 20, 2010.

RESOLUTION 17

(The purpose of this resolution is the delegation of powers for formalities)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings, authorizes any person holding an original, copy or extract of the minutes of this General Meeting to perform all necessary filings and formalities.

A APPENDIX

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS PREPARED PURSUANT TO ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE

In accordance with article L. 225-37 paragraph 6 of the French Commercial Code, this report presents (1) the composition of the Board of Directors, the conditions under which the work of the Board is prepared and organized, the limits on the powers of the Chief Executive Officer as well (2) as the internal control and risk management procedures put in place by SUEZ ENVIRONNEMENT COMPANY.

1 CORPORATE GOVERNANCE

SUEZ ENVIRONNEMENT COMPANY (hereinafter "**SUEZ ENVIRONNEMENT"** or the **"Company"**) is a French *société anonyme* (public limited company) with a Board of Directors governed by applicable laws and regulations as well as by its corporate bylaws. The Company's bylaws and its Internal Regulations, the main elements of which are described in Section 21.2 of the Reference Document, are available at its headquarters and can be viewed online on the Company's website www.suez-environnement.com.

1.1 COMPOSITION OF THE BOARD OF DIRECTORS

- The Board of Directors is composed of 18 Directors.

As a result of the shareholders' agreement signed June 5, 2008 between GDF SUEZ, Areva, Caisse des Dépôts et Consignations, CNP Assurances, Sofina, Groupe Bruxelles Lambert and SUEZ ENVIRONNEMENT COMPANY, as amended December 18, 2008 (hereinafter the "**Agreement**"), nine Directors appointed are proposed by GDF SUEZ, and five by the other shareholders who are signatories of the Agreement. Among those five members, two are proposed by Groupe Bruxelles Lambert, one by Areva, one by CNP Assurances and one by Sofina. The Board also includes four independent members who are appointed jointly by shareholders who are signatories of the Agreement, on the proposal of the Chairman of the Board of Directors, after consulting with the other Directors.

The bylaws require every Director to hold at least 2,000 Company shares.

The composition of the Board of Directors at the date of issue of this report is as follows:

- *Directors appointed on the proposal of GDF SUEZ:*
  Gérard Mestrallet, Chairman of the Board of Directors, Jean-Louis Chaussade, Chief Executive Officer, Dirk Beeuwsaert, Valérie Bernis, Alain Chaigneau, Jean-François Cirelli, Gérard Lamarche, Patrick Ouart, Jérôme Tolot

- *Directors appointed on the proposal of Groupe Bruxelles Lambert:*
  Olivier Pirotte, Amaury de Sèze

- *Director appointed on the proposal of Areva:*
  Gérald Arbola

- *Director appointed on the proposal of CNP Assurances:*
  Gilles Benoist

- *Director appointed on the proposal of Sofina*
  Harold Boël

- *Independent Directors*
  Nicolas Bazire, Lorenz d'Este, Guillaume Pepy and Ezra Suleiman

Details of the Directors' terms and positions can be found in section 14.1 of the Reference Document.

- The first Directors of the Company were appointed by the Shareholders' General Meeting of July 15, 2008, effective July 22, 2008, the date of SUEZ ENVIRONNEMENT initial public offering. They were appointed for a four-year term, i.e., until the General Meeting that will be convened in 2012 to approve the 2011 financial statements. Since the date of their appointment the composition of the Board has evolved to take the following events into account:

  - On January 14, 2010, the Board of Directors formally acknowledged the resignation of Angel Simón as Director and co-opted Patrick Ouart as replacement for the remaining duration of Angel Simón's term, i.e., until the close of the Ordinary Shareholders' Meeting convened in 2012 to approve the financial statements for the fiscal year ending December 31, 2011. Mr. Ouart's appointment was ratified by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010.

  - Furthermore, in line with best governance practice and in accordance with AFEP-MEDEF code recommendations, the Board of Directors on February 24, 2010, after consulting the Nominations and Compensation Committee, decided to implement a staggered schedule of renewals of Director appointments in thirds, in order to avoid renewing the entire Board of Directors all at once at the Shareholders' Meeting that will be convened in 2012 to approve the financial statements for the fiscal year ending December 31, 2011, and thereby facilitate the smooth renewal of directorships.

    The staggered renewal approach started at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010. Accordingly, Gérald Arbola, Dirk Beeuwsaert, Gilles Benoist, Alain Chaigneau, Guillaume Pepy and Jérôme Tolot, constituting a third of the members of the Board of Directors, resigned their directorships with effect May 20, 2010. Acting on the Board's proposal, the General Meeting then reappointed them as Directors until the close of the General Meeting that will be convened in 2014 to approve the financial statements for the fiscal year ending December 31, 2013.

    Similarly, Valérie Bernis, Nicolas Bazire, Jean-François Cirelli, Lorenz d'Este, Gérard Lamarche and Olivier Pirotte, constituting another third of the Board, resigned their directorships to take effect at the close of the General Meeting of May 19, 2011. Consequently, the Board will propose to the next General Meeting that Valérie Bernis, Nicolas Bazire, Jean-François Cirelli, Lorenz d'Este, Gérard Lamarche and Olivier Pirotte be reappointed as Directors for a four-year term, i.e., until the close of the General Meeting that will be convened in 2015 to approve the financial statements for the fiscal year ending December 31, 2014.

    The final third of the Board, namely Gérard Mestrallet, Jean-Louis Chaussade, Patrick Ouart, Ezra Suleiman, Amaury de Sèze and Harold Boël will continue their directorship to the end of their initial term, ie until the close of the General Meeting that will be convened in 2012 to approve the financial statements for the fiscal year ending December 31, 2011. The General Meeting will then vote on their renewal.

- At its meeting of October 27, 2010 the Board of Directors, on a recommendation by the Nominations and Compensation Committee, undertook to review diversity issues within the Board, with particular focus on gender equality. This review will continue in 2011.

- The independent status of certain directors was the subject of a 2009 review by the Nominations and Compensation Committee. The Committee confirmed the independence of four Directors, Messrs. Bazire, d'Este, Pepy and Suleiman.

- Also questioned was whether Directors proposed by shareholders who are signatories of the Agreement, other than those designated by GDF SUEZ, can be considered independent. In fact, some of these directors who were appointed on the proposal of shareholders holding significantly less than 10% of the Company's share capital had no relationships with the Company, its group or management, other than the Agreement, that might compromise their independence to exercise their judgment. Although the Agreement provides for prior collaboration in voting, it does not take an explicit position on block voting. Consequently, even on the restrictive assumption that none of the Agreement-signatory Directors are independent (even if they have no relationship with the Company that may hamper their judgment and are proposed by a shareholder owning less than 10% of share capital), 22% of the Board are independent Directors. If Directors proposed by shareholders owning less than 10% of share capital and with no relationship with the Company that may hamper their freedom of judgment are considered to be independent, the proportion rises over 33%.(1)

1.2 GENERAL MANAGEMENT

1.2.1 MODUS OPERANDI OF THE GENERAL MANAGEMENT

The Board of Directors meeting of July 23, 2008 opted to dissociate the functions of the Chairman of the Board from that of Chief Executive Officer, whose respective missions are clearly defined in terms of the Company's bylaws and the Board's Internal Regulations.

Mr. Gérard Mestrallet is Chairman of the Board and Mr. Jean-Louis Chaussade holds the office of Company Chief Executive Officer.

In order to successfully perform his mission, the Chief Executive Officer is assisted by a Management Committee, which is an analysis and decision-making body that examines the Group's major decisions and strategic objectives and meets every two weeks. In addition to the Chief Executive Officer, the Management Committee includes Jean-Marc Boursier, Chief Financial Officer; Christophe Cros, Waste Europe activities; Marie-Ange Debon, General Secretary, Legal Counsel, Projects, Information Systems, Risk and Audit; Bernard Guirkinger, coordination of Water, Research and Development and Sustainable Development activities; Thierry Mallet, International; Denys Neymon, Human Resources Director; and Frédérique Raoult, Communications. The biographies of the members of the Management Committee are featured in section 14.1.3 of the Reference Document and on the Company website (www.suez-environnement.com).

The Company also has an Executive Committee, which is a Group policy management and implementation body and meets approximately once a month. It consists of the eight Management Committee members and the eight main Business Unit managers. Its exact composition is detailed on the Company website (www.suez-environnement.com)

1.2.2 LIMIT OF THE CHIEF EXECUTIVE OFFICER'S POWERS

The Chief Executive Officer holds the widest powers to act on behalf of the Company, in all circumstances. He exercises those powers within the limit of the corporate purpose and subject to (i) the powers granted by law to Shareholders' Meetings and to the Board of Directors, and (ii) internal limits on executive powers.

In this respect, Article 3 of the Internal Regulations adopted by the Board of Directors at its meeting of July 23, 2008 specifies the extent of the Chief Executive Officer's authority as follows:

- The Chief Executive Officer shall submit to the Board of Directors for prior authorization all significant decisions concerning starting up operations abroad or exiting those operations, as well as all significant decisions likely to have an impact on the Group's strategy or to alter its financial structure or the scope of its activities.
- The Chief Executive Officer shall also submit to the Board of Directors for prior approval transactions involving a commitment of more than €350 million and financial debt transactions, disposals of all properties, business goodwill, receivables, and financial instruments, as well as all treaties, transactions or agreements where the sums involved exceed €1 billion.
- The Chief Executive Officer consults the Nominations and Compensation Committee before any appointment to a position on the Management Committee, as well as on any compensation issues concerning its members. During changes affecting members of the Management Committee, the Chief Executive Officer consults the Nominations and Compensation Committee Chairman prior to any decision, and even prior to engaging in the replacement process and the consultation of candidates.

In addition, in accordance with the annual authorization granted by the Board of Directors, the Chief Executive Officer may grant securities, endorsements and guarantees up to a total amount of €500 million, with an added secondary limit of €100 million per transaction. Beyond these dual limits, the Chief Executive Officer must request the prior approval of the Board of Directors.

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(1) The proportion rises to 50% if all Directors appointed on the proposal of Agreement-signatory shareholders other than GDF SUEZ are considered to be independent.

1.3 PREPARATION AND ORGANIZATION OF THE TASKS PERFORMED BY THE BOARD OF DIRECTORS AND THE SPECIALIZED COMMITTEES

1.3.1 FUNCTIONING AND TASKS OF THE BOARD OF DIRECTORS

The Board of Directors operates under a set of Internal Regulations adopted at the Board meeting of July 23, 2008. The Internal Regulations may be consulted online at the Company's website www.suez-environnement.com. Moreover, the main aspects of the Internal Regulations concerning the Board of Directors' operations are described in section 21.2.2.1 of the Reference Document.

The Board meets as often as the interests of the Group require. In 2010, the Board met eight times, with an attendance rate of 88.2%. The main questions addressed relate to results (review of annual, half-yearly and quarterly results), the Group's financing position (debts, bank counterparties, available cash, EMTN Program, issuance of an undated deeply subordinated notes), renewal of the share buyback program, development projects such as the finalization of the Agbar takeover (the decision in principle having been made in 2009), and draft responses to major calls for tender such as those in Hong Kong and the United Kingdom.

In December 2010 the Board of Directors also approved a program to allocate stock options and bonus shares to managers and reviewed the position of employee shareholding.

Finally, the Board renewed the annual maximum amount authorized to the Chief Executive Officer with regard to securities, endorsements and guarantees, and approved several projects involving guarantees of amounts greater than the Chief Executive Officer's authorization threshold of €100 million. Lastly, on several occasions it took stock of the work performed by its committees.

As part of the work carried out by the Board of Directors to improve its own composition, functioning, organization and its relations with committees, a self-assessment questionnaire was sent to the Directors on November 17, 2009. The questionnaire included a section specific to each committee and provided the opportunity for committee members to give a specific opinion on the operations of the committees. The answers provided by the Directors to this questionnaire were presented to the Nominations and Compensation Committee on January 27, 2010. The Directors declared themselves satisfied, overall, by the functioning of the Board and its committees. They sought to continue and consolidate the work of the committees, by improving coordination between the committees and the Board, and by increasing, as needed, the length or frequency of certain committee meetings. They emphasized the difficulty of ensuring the function and active collegiality of a Board of Directors comprising 18 members, but noted that certain current actions should allow for enhanced collegiality.

Various actions were implemented as a result of this review. The decision was made to renew a third of the directorships each year rather than the entire Board all at once (the decision was made at the Board meeting of February 24, 2010 after consulting the Nominations and Compensation Committee, the new system to be implemented by renewing the first third at the Annual General Meeting of May 2010). A study of the possibility of enhancing diversity (gender equality) within the Board was carried out by the Nominations and Compensation Committee at its meeting of October 26, 2010 and reviewed by the Board on October 27, 2010. Enhanced efficiency of the Board's operations was to be sought through increased communication between the Board and its Committees (specifically, Strategic Committee presentations and Audit Committee minutes to be sent to the Board), and closer knowledge of the management team, with a range of managers being invited to Board meetings. The succession plan was also reviewed by the Nominations and Compensation Committee in 2010. Lastly, the Board of Directors meeting in June 2010 was relocated to Agbar premises in Barcelona and accompanied by site visits.

The Nominations and Compensation Committee gave an update on these various actions at its meeting of January 12, 2011, and a further review of the Board of Directors is set for the first half of 2011.

1.3.2 SPECIALIZED COMMITTEES

The Board of Directors is assisted by four Committees: the Audit and Financial Statements Committee, the Nominations and Compensation Committee, the Strategic Committee and the Ethics and Sustainable Development Committee.

AUDIT AND FINANCIAL STATEMENTS COMMITTEE:

The Audit and Financial Statements Committee consists of five members, three of whom are independent (including the Committee Chairman), one is appointed from among the directors nominated by GDF SUEZ and one is appointed from among the other shareholders who are signatories of the Agreement.

The composition of the Committee is as follows: Ezra Suleiman, Chairman; Gérard Lamarche, Olivier Pirotte, Guillaume Pepy, Nicolas Bazire; Ezra Suleiman, Guillaume Pepy and Nicolas Bazire being independent Directors. Taking into account the provisions of the Agreement and the fact that SUEZ ENVIRONNEMENT is a "controlled" entity, three (60%) of the Committee members are currently independent Directors.

As described in the biographies of the members of the Audit and Financial Statements Committee in Section 14 of the Reference Document, Committee members have appropriate financial and/or accounting competency based on their education or functions.

The Audit and Financial Statements Committee assists the Board of Directors in ensuring the accuracy and fairness of the SUEZ ENVIRONNEMENT statutory and consolidated financial statements and the quality of the internal control procedures and information provided to shareholders and financial markets. The Committee presents opinions and recommendations in the areas described below to the Board of Directors.

The Board of Directors specifically entrusts the Committee with the following assignments, consistent with the assignments defined for the Audit Committee by the Decree of December 8, 2008.

As regards the financial statements, the Committee:

- undertakes prior examination and gives its opinion on the draft annual, half-yearly and, where applicable, quarterly financial statements before these are delivered to the Board of Directors;
- assesses the relevance and permanence of the accounting rules and principles used in drawing up the statutory and consolidated financial statements and prevents any potential breach of those rules;
- requests details of any change in the scope of consolidation and where necessary, obtains all required explanations;
- whenever it deems necessary, meets with the Statutory Auditors, senior executives, financial management, internal auditors and any other member of management; these meetings may take place, where necessary, without the presence of senior executives;
- examines, before publication, the draft annual or interim financial statements, the activity and income report, and any financial statements (including forecasted financial statements) drawn up for the purpose of specific major transactions, as well as important financial press releases before they are issued;
- ensures the quality of procedures to guarantee compliance with stock exchange regulations;
- is informed annually on financial strategy and on the terms and conditions of the Group's main financial transactions.

As regards external auditing of the Company, the Committee:

- examines matters relating to the appointment, renewal, or dismissal of the Company's Statutory Auditors and the fees they are to receive in return for carrying out their legally prescribed audit assignments;
- supervises the rules for referring work other than financial statement auditing to the Statutory Auditors and, more generally, monitors compliance with the principles that guarantee the independence of the Statutory Auditors;
- pre-approves any assignment entrusted to the Statutory Auditors outside the audit;
- each year, examines with the Statutory Auditors the audit fees paid by the Company and the Group to entities from the network to which the Statutory Auditors belong, their audit schedule, the conclusions reached by the latter, their recommendations, and the follow-up of these recommendations; and
- arbitrates, where necessary, issues that may arise between the Statutory Auditors and General Management in the course of their work.

As regards internal auditing of the Company, the Committee:

- evaluates the efficiency and quality of the Group's internal control systems and procedures;
- in collaboration with those responsible for the internal audit, examines the audit schedules and action plans in the internal audit area, the conclusions drawn from them and the recommendations arrived at and their follow-up, all without the presence of members of general management, if necessary;
- is informed by general management, or by any other means, of any complaints from third parties or any internal information critical of the Company's accounting documents or internal control procedures, as well as the procedures put in place for this purpose and the remedies for such claims or criticisms; and
- entrusts internal audit with any assignment it deems necessary.

As regards risks, the Committee:

- obtains regular updates on the Group's financial and cash flow positions and on the Group's main commitments and risks; and
- examines the procedures in place for assessing and managing those risks.

The Audit and Financial Statements Committee met seven times in 2010, with an attendance rate of 85.70%. For practical reasons, as several members of the Board (including the Chairman) live abroad, the SUEZ ENVIRONNEMENT Audit Committee's review of the financial statements cannot always take place two days before the

Board meeting as recommended in the AFEP-MEDEF Code. However, the Committee file which contains the financial statements is sent to the Committee members several days before the Committee meeting.

The main topics addressed by the Committee were as follows: the review of the annual financial statements as at December 31, 2009, the half-yearly financial statements as at June 30, 2010, the quarterly financial statements, the financing and debt position, and the progress in the COMPASS cost optimization program.

The Statutory Auditors presented to the Committee the essential elements of the Company's results and the main options taken.

The Committee was also invited to discuss transactions with related parties, cash forecasts, and management's outlook reports.

The Committee also reviewed the 2010 annual internal audit report and approved the internal audit plan for 2011. The Committee reviewed and monitored progress in the internal control plans defined in conjunction with the principal entities of the Group.

The Committee analyzed the risk mapping prepared by the Investment and Risk Department and the measures taken to manage identified risks. The Committee regularly took stock of major litigation cases in progress.

In 2010, the Committee approved the fees paid to the Statutory Auditors. The Committee also approved beforehand the tasks assigned to the Statutory Auditors outside their audit responsibilities.

The Statutory Auditors took part in all meetings of the Audit and Financial Statements Committee.

NOMINATIONS AND COMPENSATION COMMITTEE

The Nominations and Compensation Committee consists of three members, two are appointed from among the independent directors (including the Committee Chairman) and one from among directors representing the shareholders who are signatories of the Agreement.

The composition of the Committee is as follows: Lorenz d'Este, Chairman; Ezra Suleiman and Amaury de Sèze; Messrs. d'Este and Suleiman being independent directors.

The Nominations and Compensation Committee is charged by the Board of Directors to:

- regularly review the principles and criteria for the independence of the directors;
- examine all applications for appointment to a seat on the Board of Directors or as a Board observer, where applicable, and to formulate an opinion and/or recommendation to the Board of Directors on these applications;
- prepare, in due course, recommendations for the successor to the Chief Executive Officer and, where necessary, the Chairman of the Board of Directors;
- set, each year, the Chief Executive Officer's targets, which will subsequently serve as a reference in appraising his/her performance and in determining that part of his/her compensation that is performance-based.

The Committee is also consulted on appointments to positions on the Management Committee, as well as on any compensation issues involving these appointees. During changes affecting members of the Management Committee, the Chief Executive Officer consults the Committee Chairman prior to any decision, and even prior to engaging in the replacement process and the consultation of candidates.

The Nominations and Compensation Committee is also charged with:

- making recommendations to the Board of Directors on compensation, retirement and employee benefit arrangements, benefits in kind, and other cash entitlements, including, when applicable, the allocation of stock subscription or purchase options of the Company, as well as the allocation of bonus shares for the Chairman, Chief Executive Officer, and if applicable, for Executive Vice Presidents and possibly salaried members of the Board of Directors;
- making recommendations to the Board of Directors on the compensation of Board Members and, where applicable, observers.

In 2010, the Nominations and Compensation Committee met five times with an attendance rate of 93.3%.

The main issues addressed by the Committee related to the governance and review of the Board, the independence of Directors, the staggering of Directors' mandate renewals, and gender equality within the Board. The Committee also discussed succession plans.

In addition, the Committee reviewed the position of the Chief Executive Officer (fixed and variable compensation, performance conditions for stock options and performance shares granted) and the compensation of the top 20 Executives. The Resolutions sub-Committee reviewed the amounts and distribution of Directors' fees.

Lastly, the Committee discussed the GDF SUEZ employee shareholder program, the stock option and performance share allocation plans and the proposed individual allocations, as well as the changes to the employee shareholding of SUEZ ENVIRONNEMENT.

STRATEGIC COMMITTEE

The Strategic Committee consists of eight members, two of whom are appointed from among the independent directors, three from among the directors nominated by GDF SUEZ and three from among the directors representing shareholders who are signatories of the Agreement.

The composition of the Committee is as follows: Gérard Mestrallet, Chairman; Nicolas Bazire, Gilles Benoist, Alain Chaigneau, Guillaume Pepy, Olivier Pirotte, Harold Boël, and Gérard Lamarche; Guillaume Pepy and Nicolas Bazire being independent directors.

The Strategic Committee gives its opinion and submits a recommendation to the Board of Directors concerning:

- the strategic objectives set by the Board of Directors or suggested by the Chief Executive Officer;
- all projects of internal and external growth, divestment, strategic agreements, alliances, or partnerships submitted to the Board of Directors.

Upon presentation of a report by the Chief Executive Officer, the Committee carries out a strategy review once a year which it submits, in due time, to the Board of Directors.

In 2010 the Committee met three times with an attendance rate of 79.2% and reviewed the Company's global strategy, the activities in Australia, the strategy of the International Division, as well as the strategy of the Waste Division in the United Kingdom and Benelux-Germany.

A report on each meeting of these various committees was submitted to the Board of Directors and, where the issue fell within the remit of the latter, a decision or recommendation was made.

ETHICS AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Committee consists of three members, two of whom are appointed from among the independent directors (including the Committee Chairman) and one from among directors representing the shareholders who are signatories of the Agreement.

The Committee is composed as follows: Guillaume Pepy, Chairman; Gérald Arbola and Lorenz d'Este; Guillaume Pepy and Lorenz d'Este being independent directors.

The Ethics and Sustainable Development Committee ensures compliance with the individual and collective values on which the Group bases its actions, and the rules of conduct to which all employees must adhere.

These values include the Group's special responsibility for safeguarding and improving the environment and sustainable development. The Group ensures that the necessary procedures are in place to:

- update the charters in force within the Group and ensure their circulation and application;
- ensure that foreign subsidiaries implement their own code adapted to the domestic legal and regulatory framework of the country where they carry out their business;
- carry out training programs intended to accompany the circulation of the Group's charters; and
- obtain from the various Group companies information on the solutions they have selected for issues presented to their own Committee.

In 2010, the Committee met three times, with an attendance rate of 100%.

The main issues addressed by the Committee were the Annual Report on Ethics, the 2009 health and safety report and environmental audit, corporate social responsibility, the Group's health and safety policy, sustainable development issues (2009 report, biodiversity policy), extra-financial ratings and Group actions to support employees with disabilities. Industrial risks, protection of individuals and the management of sensitive sites were also addressed.

A report on each meeting of these various committees was submitted to the Board of Directors and, where the issue fell within the remit of the latter, a decision or recommendation was made.

1.4 PRINCIPLES AND RULES AGREED BY THE BOARD OF DIRECTORS FOR DETERMINING COMPENSATION AND BENEFITS OF ANY KIND AWARDED TO THE CORPORATE OFFICERS

This point is dealt with in detail in section 15 of the Reference Document.

Note that on October 28, 2008, the Board of Directors indicated its desire to comply in all points with the AFEP-MEDEF recommendation on the principles and rules applied to calculate compensation and benefits of any kind awarded to the Company's corporate officers.

1.5 CORPORATE GOVERNANCE CODE

The Company follows the corporate governance recommendations defined by the French Association of Private Companies (AFEP) and the Movement for the Companies of France (MEDEF) in the AFEP-MEDEF corporate governance code of December 2008 (hereinafter the "**AFEP-MEDEF Code**"). The latest version of this Code, dated April 2010, can be viewed on the website http://www.medef.fr/ .

The Company follows the AFEP-MEDEF Code virtually in its entirety and the few variances, which relate to the Company's organization, size, resources, shareholder structure and application of the shareholders' Agreement dated June 5, 2008, are described in this Report in accordance with article L. 225-37 of the French Commercial Code (Code de Commerce).

1.6 SPECIFIC TERMS AND CONDITIONS GOVERNING THE PARTICIPATION OF SHAREHOLDERS IN SHAREHOLDERS' MEETINGS

The terms and conditions governing shareholder participation in Shareholders' Meetings are set forth in the Company bylaws under Heading VI, Shareholders' Meetings, Articles 20 to 23.

Procedures governing shareholder participation in General Meetings and their right to vote are also explained in Section 21.2 of the Reference Document.

At the Combined Ordinary and Extraordinary General Meeting of May 20, 2010, 75.59% of shareholders participated in votes on resolutions within the competence of the Ordinary General Meeting and 75.58% participated in votes on resolutions within the competence of the Extraordinary General Meeting, with 757 shareholders physically attending the Meeting. SUEZ ENVIRONNEMENT also put in place an electronic method of notifying shareholders of meetings and 181 shareholders agreed to receive notice of the 2010 General Meeting by e-mail. In addition, 49 shareholders voted by Internet, and 77 used the Internet to appoint the Chairman as their proxy for voting on the resolutions presented to the Meeting.

1.7 FACTORS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A TENDER OFFER

Factors likely to have an impact in the event of a tender offer, as listed in Article L. 225-100-3 of the French Commercial Code, are set forth in sections 18.1, 18.3 and 21 of the 2009 Reference Document.

2 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

2.1 GROUP OBJECTIVES AND STANDARDS IN INTERNAL CONTROL AND RISK MANAGEMENT

2.1.1 OBJECTIVES

The aim of the internal control procedures implemented within SUEZ ENVIRONNEMENT is to provide reasonable assurance that the applicable laws and regulations are complied with, and that accounting and financial information is reliable.

Generally speaking, it contributes to the safeguarding of assets and control and optimization of operations. Like any control system, it can only provide reasonable assurance that the risks of error or fraud are completely under control or have been eliminated.

The Group has adopted an integrated corporate risk management policy which aims to provide a complete overview of the risk portfolio through the use of methods and tools common to all subsidiaries and functional departments, as well as to put in place and follow up action plans to manage them.

2.1.2 STANDARDS

In order to strengthen existing internal control, SUEZ ENVIRONNEMENT has rolled out a Group internal control program since the end of 2004, within the general framework of the criteria defined by GDF SUEZ. This program was developed according to the “COSO” model promoted by the Committee of Sponsoring Organizations of the Treadway Commission and complies with the principles described within the reference framework supplemented by the application guide published by the French Financial Markets Authority (AMF) and updated by an AMF working group on the Audit Committee (its final report published July 22, 2010).

General risk management is shared with GDF SUEZ and its principles are consistent with professional standards (such as ISO 31000, the framework of reference of the Federation of European Risk Management Associations (FERMA) and the practices it recommends).

2.2 STEERING OF OPERATIONS AND IMPLEMENTATION OF INTERNAL CONTROL AND RISK MANAGEMENT OBJECTIVES

2.2.1 STEERING OF OPERATIONS

In terms of steering of operations, the Group’s organization is based upon the following principles, which form the general control framework in force within SUEZ ENVIRONNEMENT:

- the Board of Directors determines the Company’s strategic objectives and sees to their implementation; the Audit and Financial Statements Committee is responsible (among other assignments) for monitoring the internal control and risk management systems (see Section 2.2.2 of this Report). The Board deals with all issues concerning the running of the Company, deliberates and settles relevant matters and carries out checks and inspections as it deems appropriate. The Chairman or the Chief Executive Officer must provide each Director with all the documents and information required to carry out their duties;
- The Chief Executive Officer holds the widest powers to act on behalf of the Company, in all circumstances. He exercises those powers within the limit of the corporate purpose and subject to (i) the powers granted by law to Shareholders’ Meetings and to the Board of Directors, and (ii) internal limits on executive powers (see Section 1.2.2 of this Report);
- The mission of the Management Committee, an advisory and decision-making body that consists of the Chief Executive Officer, the three executive officers in charge of Water, Waste and International activities, the Director of Human Resources, the Chief Financial Officer, the General Secretary and the Director of Communications, is to examine the Group’s principal decisions and strategic objectives, and to set the operational and performance objectives of Business Units at two business reviews during the year;

- The mission of the Executive Committee, which consists of the Management Committee and the Business Unit managers, is to coordinate management actions;
- The mission of the Operations Committee, chaired by a member of the Management Committee assisted by a representative of certain of the functional departments, is to evaluate major development or divestment plans for commitment decisions and to analyze the performance of specific projects in progress;
- The Treasury Committee, chaired by the Chief Financial Officer, is the management body for financial risks;
- The Group is organized around three main sectors (Water Europe, Waste Europe and International); these are in turn divided into nine Business Units to which the Group's operating subsidiaries are attached.

  The Business Unit managers and the management teams of the operating subsidiaries are responsible, within their area of responsibility, for conducting business within the framework of the strategic objectives set by the Board of Directors and the Management Committee. After setting the operational and performance objectives of the Business Units (see above) their progress is monitored at monthly business reviews, in which a representative of the Management Committee, the Business Unit managers and the functional departments involved all take part;
- The functional departments assist the Management Committee with controlling and managing operations and act in support of the Business Units according to principles and procedures applicable across the entire Group.

  The functional departments mainly include the Human Resources Department, the Finance Department, the General Secretary department (which includes the Legal Department, the Internal Audit Department, the Investments and Risk Department, the Projects Department and the Information Systems Department), the Communications Department, and the Operations Research and Environment Department.

2.2.2 ASSESSMENT AND MANAGEMENT OF RISKS

The main risks relating to Group operations are presented in Chapter 4 of the Reference Document. Coordination of this integrated approach to risk management is the responsibility of the Chief Risk Officer, reporting to the General Secretary. He is supported by a network of Risk Officers, who are responsible for seamlessly and consistently rolling out risk assessment and management processes within the different subsidiaries. A risk mapping process for the entire Group has been in place for several years. Risks are identified, classified by category (strategic, financial, operational), assessed (by significance and frequency), and quantified when possible. Then the method for dealing with them is reviewed, which provides information for action plans at different levels of the Company. An action plan may consist of reinforcing internal control procedures. This process includes steps to select significant individual risks and, if applicable, aggregate homogeneous risks, permitting an annual summary of the Group's major risks to be drawn up. This summary is validated by the Management Committee and presented to the Audit and Financial Statements Committee.

The subsidiaries maintain responsibility for implementing the most appropriate risk management policy for their particular activities. However, certain cross-divisional risks are directly managed or closely coordinated by the functional departments involved:

- within the General Secretary department,
  - the Legal Department analyzes and manages the Group's legal risks, based on periodic reporting from the network of lawyers in the subsidiaries and in SUEZ ENVIRONNEMENT;
  - the Investments and Risks Department, jointly with the Planning and Control Department and the Legal Department, takes part in an analysis of the main projects of the Group and its subsidiaries in terms of investments, acquisitions, disposals, etc;
  - the Information Systems Department analyzes the risks inherent in the information systems to ensure the availability, integrity, and confidentiality of the information they contain;

- the Insurance Department, in conjunction with the subsidiaries, is the contracting authority for the Group's insurance programs for industrial and environmental damage, business interruption, and liability (third-party, professional, etc.). Specifically, it monitors risks of fire and machinery breakdown, by implementing an annual prevention and protection program for the Group's key sites.
- within the Finance Department,
  - the Treasury and Capital Markets Department analyzes, jointly with the subsidiaries, the Group's main financial risks (rates, currencies, commodities, liquidity and banking counterparties), and implements measures for controlling those risks;
  - the Planning and Control Department performs a critical analysis of the actual and forecasted financial performance of the subsidiaries via monthly monitoring of operating and financial indicators. The Department prepares the Group's short-term and medium-term financial forecasts and participates in the analysis of the development projects of the Group and its subsidiaries;
  - the mission of the Tax Department is to identify, analyze and manage the Group's tax risks.
- the Operations Research and Environment Department:
  - studies and monitors the environmental risks and coordinates the actions needed to tighten control of those risks and ensure compliance with environmental requirements. To do this, it implements a schedule of environmental audits and operates a network of Environmental Officers charged with deploying the environmental risk management policy uniformly and consistently at each main subsidiary;
  - analyzes the operational risks related to the Group's production systems and assists the subsidiaries in solving operational problems at their sites. It establishes and distributes best practices and operational benchmarks to the subsidiaries. It prepares solutions for a certain number of emerging risks by developing suitable research programs.
- the Department of Human Resources analyzes the main labor risks and needs in terms of skills and develops action plans to recruit local talent and develop skills.

  Within the Human Resources Department, the Health and Safety Department monitors and ensures the prevention of occupational illnesses and accidents related to the Group's businesses. The crisis management process is also coordinated by the Health and Safety Department, which implements procedures at the level of the different subsidiaries of SUEZ ENVIRONNEMENT to issue warnings and manage crisis.
- the Communications Department analyzes and manages risks to image and reputation, and prepares and implements appropriate crisis communication plans, in collaboration with the subsidiaries. The best practices charter of the SUEZ ENVIRONNEMENT communications network reminds employees of the confidential nature of the information held by some employees and the internal obligations relating to the circulation of information.

2.2.3 MONITORING AND ASSESSMENT OF INTERNAL CONTROL

The Group's internal control monitoring is organized around the following principles:

- The mission of the Audit and Financial Statements Committee (as provided for in the Board of Director's Internal Regulation) is among other to assess the efficiency of the Group's internal control systems and examine the procedures applied to assess and manage the Group's significant risks (pursuant to the Decree of December 8, 2008 which transposes the 8th European Directive into French law).
- The SUEZ ENVIRONNEMENT Management Committee is responsible for implementation of the internal control systems; that responsibility is rolled out to the Business Unit managers and the management teams of the operating subsidiaries. The Group's modus operandi and procedures for conducting business are set out in the Management Book disseminated by the Management Committee to each entity controlled by the Group. The Chief Executive Officers and Chief Finance Officers of the main operating subsidiaries confirm, via an annual letter of affirmation, their responsibility for implementing an efficient internal control system within their organization.
- The internal control system is implemented in a manner consistent with the risks identified in the Group's activities through a risk-mapping process managed by the Group's Chief Risk Officer.
- The Internal Control Department, which is attached to the Finance Department, manages the Group's internal control program; its mission is to analyze and improve the internal control system, in collaboration with the Group's main subsidiaries and functional departments. Its actions are supported by a network of internal control officers and process managers identified within the main subsidiaries controlled by the Group who are trained to the Group's internal control principles and methods.

Within the framework of the Group's internal control program, a matrix of the main processes has been drawn up, covering, notably, the general control environment, corporate governance, compliance with laws and regulations, setting and monitoring of objectives, managing commitments, assessing and managing risks, producing and communicating accounting and financial information, managing information systems, legal management, financial management, tax management, external communication and managing operating processes: sales management, purchases management, asset management and contract management.

For each process, the standard risks and control objectives considered necessary for maintaining an efficient internal control system have been identified. Internal control procedures (and control operations) implemented to meet these risks and control objectives are generally specific to the business and organization of each of the entities.

The Group's internal control program is based on dedicated communication and training tools, including an intranet system which enables:

- *the circulation of the standard control objectives,*
- *the description, updating and annual self-assessment of control activities by the process owners for each key process identified within the main subsidiaries.*

- The mission of the Internal Audit Department, which is attached to the General Secretary departement, is specifically to ensure that the Group has an efficient internal control system and manages its risks properly. To that end, when preparing its annual audit plan, it specifically consults the Group's Internal Control Department, the Chief Risk Officer and the Statutory Auditors. The audit plan is then validated by the Management Committee, and presented for approval to the Audit and Financial Statements Committee.

  In developing an opinion on the reliability of the internal control system (level of control, adequacy), the Internal Audit Department performs audit missions aimed at evaluating the design and operating effectiveness of internal control procedures within the Group, particularly by testing key control activities identified in each of the main subsidiaries. In addition, at the end of each audit, the Department makes recommendations which it includes in a report listing the risks and internal control objectives of the Group, monitors their implementation, and reports regularly to the Management Committee and the Audit and Financial Statements Committee. This Department comprises several teams of auditors, including a central team based at SUEZ ENVIRONNEMENT, whose remit covers the Group's entire scope of consolidation.

- External audit: Assessment and analysis of internal controls within the Group are performed in close coordination with SUEZ ENVIRONNEMENT's Statutory Auditors. The latter are informed, among other matters, of the results of the internal audit tests.

2.2.4 COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws and regulations is the responsibility of the Business Units managers, the management of the operating subsidiaries and the functional departments in their respective areas of competence. For example, certain cross-divisional compliance objectives are managed by the functional teams concerned:

- The General Secretary, acting as the Group's ethics officer, is responsible for ensuring compliance with the Ethics Program, which aims to prevent or detect any behaviors contrary to the Group's ethical rules. The SUEZ ENVIRONNEMENT Charter of Ethics has been updated and circulated (after approval by the Board of Directors and the Ethics and Sustainable Development Committee) within the Group, together with its practical guide. The Group's ethics officer is backed by a network of ethics officers appointed within each of the major subsidiaries; these ethics officers are responsible for ensuring the roll-out and effectiveness of the Ethics Program within their subsidiary and for implementing internal and external investigation procedures for any issue brought to their attention which may potentially be in breach of the Group's Ethics rules. Each year, the ethics officers and chief executive officers of the main subsidiaries send a letter of compliance and a report on their activities to the Group General Secretary within the framework of the Ethics Program. The Group General Secretary reports on the activities of the Ethics Program to the Board's Ethics and Sustainable Development Committee.

  The General Secretary oversees implementation of the procedures circulated within the Group to ensure compliance with its obligations on insider information and insiders.

- The Finance Department ensures that SUEZ ENVIRONNEMENT is compliant in accounting, financial and tax matters. It is responsible for producing the financial reports required by law.

- The Human Resources Department ensures adherence with the labor legislation and regulations in force and produces the labor reports required by law. It implements SUEZ ENVIRONNEMENT's labor policies, particularly those relating to health and safety;
- The Department of Operations Research and Environment sees that SUEZ ENVIRONNEMENT is compliant on environmental issues. It produces the necessary environmental reports within the framework of extra-financial communications.

2.2.5 INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION, TREATMENT AND CIRCULATION OF ACCOUNTING AND FINANCIAL INFORMATION

(i) Accounting standards and procedures

The main procedures put in place for drawing up the statutory and consolidated financial statements are based on:

- the GDF SUEZ accounting policies manual issued by the Center for Expertise in Accounting Standards (Centre d'Expertise Normes Comptables or CENC), applied within SUEZ ENVIRONNEMENT Group and accessible via intranet to all of the Group's finance professionals. It is updated regularly based on changes in IFRS standards; and
- The Group closing instructions circulated before every phase of the consolidation process by the Consolidation and Accounting Department. These instructions cover the closing assumptions (exchange rates, discount rates and tax rates), processes for specific issues (e.g., pensions, impairment tests and off-balance sheet items), the scope of consolidation, the timetable for submitting information, items relating to closing that require particular attention, changes in the chart of accounts and significant new standards introduced.

(ii) Preparation of accounting and financial information

Responsibilities for preparing accounting and financial information are assigned at every organizational level of the Group. They include setting up and maintaining efficient internal control systems. Within the Finance Department:

- the Consolidation and Accounting Department steers the Group financial statements production process, which includes producing and controlling the statutory and consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY as well as producing forecast reports and monthly consolidated financial reports. In 2010, internal control procedures were adapted to take into account the reduced time available to produce the financial statements. This work is carried out with the input of the accounting and planning and control teams of each of the consolidated subsidiaries. Each party involved performs checks to enable the circulation, assimilation and correct application of Group accounting standards and procedures in their area of responsibility. Those responsibilities are confirmed by the Chief Executive Officers and Chief Finance Officers of each subsidiary or each consolidation level via an annual letter of affirmation.

  The Consolidation and Accounting Department is responsible for relations with the AMF accounting department.
- The Planning and Control Department is responsible for analyzing the consolidated financial statements, forecast reports and monthly consolidated financial reports, as well as for producing the Medium-Term Plan.

(iii) Management of accounting and financial information systems

The Group and its subsidiaries use a single, standardized consolidation software application, managed by GDF SUEZ, to secure and standardize the preparation process for forecast reports, monthly reports, year-end accounts and the medium-term plan.

Each of the Group's subsidiaries is responsible for and manages its own information system used to prepare accounting and financial information, including their financial statements.

(iv) Setting objectives and steering

Within the Finance Department, the Planning and Control Department steers the process for preparing financial forecasts and writes the budget instruction letters sent to each Business Unit, relaying the macro-economic assumptions to be applied and the financial and non-financial indicators to be measured the following year, through the various forecast reviews.

The Planning and Control Department manages the monthly Business Review process. The purpose of these meetings is:

- twice a year, to set financial targets and produce financial forecasts;
- each time, to analyze the operational and financial performance of each Business Unit, how their business is going and key events as well as monitor their operational risk management;

via management reports based on the Group's consolidated monthly financial reports.

The consolidated Group budget is presented to the Board of Directors for approval.

The Chief Executive Officer of SUEZ ENVIRONNEMENT sends each Business Unit a budget letter outlining its annual quantitative and qualitative objectives.

(v) Financial Communication

a) Preparation and approval of the interim and annual reports

Within the Finance Department, the Consolidation and Accounting Department is in charge of preparing the Reference Document filed with the AMF as well as the interim financial report, and, jointly with the General Secretary departement, heads a dedicated steering committee whose mission is:

- to coordinate the process for submission and validation by all relevant functional departments of the information appearing in the Reference Document and the interim financial report;
- to ensure that regulations and the AMF recommendations on financial communication are applied.

b) Preparation and approval of press releases

The Communications Department and the Financial Communication Department within the Finance Department are responsible for communicating all information likely to have an impact on the SUEZ ENVIRONNEMENT COMPANY share price.

Since the Group was listed on the stock exchange, the Communication Department and the Financial Communication Department have implemented procedures aimed at ensuring the reliability of the regulatory information communicated outside the Group.

c) Relationships with rating agencies

Within the Financial Department, the Corporate Finance and Projects Department maintains the relationships with rating agencies in cooperation with the Financial Communication Department and the Treasury and Capital Markets Department.

2.3 AREAS FOR DEVELOPMENT IN 2011

SUEZ ENVIRONNEMENT's internal control system is evolving and is subject to adaptation according to changes in the environment. Improvements to the internal control system are made each year, specifically through:

- definition of a specific internal control plan prepared with the management of each key subsidiary, the progress of which is reported to the Audit and Financial Statements Committee;
- progressive integration of the newly acquired companies into the Group internal control program;
- as well as smaller-scale entities according to a specific approach targeting the main risks.

In 2011, the main areas for development include the continuing rollout of the program in the recycling activity of the waste business, and adaptations in certain Business Units made necessary due to significant reorganization and major IT projects.

Gérard Mestrallet
Chairman of the Board of Directors

February 8, 2011

B APPENDIX

STATUTORY AUDITOR'S REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (CODE DU COMMERCE), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF SUEZ ENVIRONNEMENT COMPANY

To the Shareholders,

In our capacity as statutory auditors of SUEZ ENVIRONNEMENT COMPANY and in accordance with Article L. 225-235 of the French commercial code (*Code de Commerce*), we hereby report on the report prepared by the Chairman of the Board of Directors of your Company in accordance with Article L. 225-37 of the French commercial code (*Code de Commerce*) for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by article L. 225-37 of the French commercial code (*Code de Commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by article L. 225-37 of the French commercial code (*Code de Commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information, and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have identified in the context of our assignment have been appropriately disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French commercial code (*Code de Commerce*).

Other Information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French commercial code (*Code de Commerce*).

Courbevoie and Neuilly-sur-Seine, February 9, 2011

The statutory auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Thierry Blanchetier	Isabelle Massa	Charles-Emmanuel Chosson	Pascal Macioce

G

GLOSSARY

Biological recovery	Method of treating organic waste by composting it or turning it into methane.
Biomechanical recovery	Process in which waste is treated by mechanically isolating certain parts and treating others biologically. Includes several types of mechanical and biological processes, which may be combined in several ways depending on the desired results. Enables the separation of different fractions contained in waste into potentially reusable fractions and/or which can be treated biologically.
BOT (Build-Operate-Transfer) Contract	Contract under which a private company is responsible for project financing and for the design, construction and operation of the site for a fixed period, after which the property is transferred to the co-contractor.
DB (Design-Build) Contract	A building contract for a system for delivering the finished product. The design and construction of the project are carried out by one and the same entity known as the design-builder or design-build-contractor.
DBO (Design-Build-Operate) Contract	Contract under which a private company is responsible for the design, construction and operation of a site.
EMAS – Environmental, Management and Audit System	Certificate based on ISO 14001 certification and an environmental declaration certified by European inspectors, approved by the European Commission and published.
End-of-Life Vehicle	An end-of-life vehicle is a vehicle transferred by its owner to a third party for destruction. The vehicles involved are private cars, vans and three-wheeled scooters.
Energy recovery	Use of combustible waste as a means of producing energy, by direct incineration with or without other combustible matter, or by any other process, but with heat recovery. Energy recovery consists in using the calorific energy of waste by burning it and recovering that energy in the form of heat or electricity. The process can be carried out at an incineration plant or a cement works.
Energy recovery units	Another name for energy-recovering incinerators.
ISO 14001	International standard aimed at verifying a company's procedural organization and methods of the organizational units, as well as the efficient set-up of an environmental policy and related environmental objectives.
Leachate	Water that percolates through the waste stored in landfills and becomes bacteriologically and chemically charged. By extension, this term is also used for water that has come into contact with waste.
Membrane	A kind of filter or sieve that retains particles of different sizes depending on its type and the diameter of its holes.
Natura 2000 Zones	Aiming to conserve biological diversity and promote landscapes, the European Union has embarked, since 1992, on establishing a network of ecological zones known as Natura 2000, which preserve species and natural habitats while taking the human, economic, cultural and regional activities that exist in those zones into account.
PFI – Private Finance Initiative	Financing mechanism which appeared in Great Britain in 1992, whereby a private company finances the design and construction of a project usually assigned to a public authority, and then ensures its management by signing a PPP contract.
PPP – Public-Private Partnership	Financing mechanism by which the local authority calls upon private service providers to finance and manage installations that provide or contribute to the provision of a public service.

Public service contract	Public service contracts are a form of management contract under which a public entity entrusts management of a public service to a company for a fixed period. The company is paid directly by customers and finances all or part of the investments in plant renewal (leasing contract) and in new plants (concession). The terms of concession contracts are generally longer (10 to 30 years) than those of leasing contracts (10 to 20 years) in view of the need for the operator to amortize the newly built installation works.
RDF – Refuse-Derived Fuel	Solid fuel produced through sorting household waste to extract non-combustible materials and compact combustible materials.
Relevant revenues	Revenues generated by so-called "relevant" activities. In fact, certain activities within the scope of financial consolidation may not be considered relevant for environmental reporting purposes due to their core activity. The financial holding company, and commercial, broking, trading, marketing and sales activities are not considered relevant.
Skid	In membrane technology, a platform comprising a frame, potentially on rails, on which an installation assembly is placed. Enables access to a system which can be moved and transported immediately, without dismantling it.
Sludge	Residue obtained following the treatment of effluent. Sludge consists of water and dry material. Properties of sludge vary widely depending on their origin. They depend on the nature of the effluent and the type of treatment applied.
Soil amendment/conditioning	Process aimed at improving the physical properties of soil by incorporating material which, without being a fertilizer, alters and improves the nature of the soil. Sand, clay, lime or organic material, are all conditioners.
Spin-Off/Distribution	The listing of the company's shares for trading on the Euronext Paris and Euronext Brussels exchanges was part of the creation by SUEZ of a division that combines all of the group's water and waste operations for which the Company will be the holding company (the **"Spin-off"**), followed by the distribution by SUEZ to its shareholders (other than SUEZ), proportionally to their interests in the share capital of SUEZ, of 65% of the shares representing the capital of the company following the Spin-off, immediately before the SUEZ-Gaz de France merger is completed (the **"Distribution"**, together with the Spin-off, the **"Spin-Off/Distribution"**). The completion of the Spin-Off/Distribution was accompanied by various restructuring transactions, the purpose of which was specifically to reclassify the interests held by SUEZ or its subsidiaries in companies attached to the environmental division under SUEZ ENVIRONNEMENT or certain of its subsidiaries, and to organize the withdrawal of SUEZ ENVIRONNEMENT and certain of its subsidiaries from the Gie SUEZ Alliance. For each SUEZ share held by a party entitled to distribution, one allotment right to Company shares had been granted, on the understanding that four Company allotment rights gave the right to one Company share.
Stadtwerke	Term of German origin used for a municipal company belonging to a German town, the purpose of which is to manage certain public services, particularly energy, water and transport.
Treatment plant sludge	All residues from the biological activity of microorganisms living in treatment plants and transforming the material carried by wastewater so that it can be extracted. They consist mainly of water, mineral salts and organic matter.
WEEE – Waste electrical and electronic equipment	Electrical and electronic equipment includes all devices or components operating on electric or electromagnetic current (whether powered by electrical outlets or by batteries). These include, for example, **household electrical goods or white products** (cooking appliances, refrigerators, heaters, vacuum cleaners, etc.); **audiovisual equipment or brown products** (radios, television sets, camcorders, video recorders, hi-fi equipment, etc.); **and office and computer equipment, or grey products** (computers, printers, scanners, telephones, etc.).

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NOTE ON METHODOLOGY

Operating data	Most of the operating data contained in this document were calculated on the basis of a scope of consolidation that includes fully integrated companies.
Population served by collection activities	The number of residents served by the group's collection activities corresponds to the number of residents served by traditional collection, to which is added the number of residents served by selective collection (a conventional collection operation and a selective collection operation that serve the same individual can thus be added together). This involves estimates (the number of residents served by the Group's collection activities has not been counted).
Human resources	The number of group employees corresponds to the number of salaried employees in SUEZ ENVIRONNEMENT and its consolidated subsidiaries. Employees of companies consolidated by proportional integration or the equity method (for example employees of Group subsidiaries in China or Mexico) are therefore not included in the total Group workforce on that basis; the employee counts mentioned for them are thus in addition to that total. As soon as a company enters into the scope of consolidation through full integration, 100% of its employee data is included, regardless of the percentage of share capital held.

CT CONCORDANCE TABLE

For each category set forth in Appendix I of European Commission Regulation number 809/2004 of April 29, 2004, this concordance table shows the numbers of the section or sections which contain information on each category in this document.

Mentions relating to the management report Articles L. 225-100 Clause 2, L. 225-102, L. 225-102-1, L. 232-1-II, R. 225-102, L. 225-100-3	Reference Document Section
I – ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES AND/OR CONTROLLED COMPANIES, AND OUTLOOK	
Status and business of the Company, and if applicable, its subsidiaries and controlled companies by business division during the previous fiscal year, and of the entity formed by the companies in the scope of consolidation.	Section 6
Income from the Company's business, subsidiaries and controlled companies by business division (summary analysis of accounting documents, at least for the most significant items): Revenues, operating costs, income from continuing operations, net income).	Sections 9, 20.1 and 20.3
Objective and exhaustive analysis of business development, the Company's income and financial situation and, specifically, its debt position in terms of business volume.	Sections 6, 9, 10 and 20.1
Analysis of key non-financial performance indicators relating to the Company's specific business and particularly information relating to environmental or employee issues.	Sections 6, 17
Description of the main risks and uncertainties faced by the Company, as well as indications of the use of financial instruments when such information is relevant to changes in assets and liabilities, the financial situation and parties entitled to a share in Company profits.	Sections 4.1.3 and 4.2.4
Price, credit, liquidity, cash flow risk, risk of exchange rate fluctuations, risks incurred in the event of exchange rate fluctuations and lower exchange rates, indication of the motives which led to involvement in the market.	Sections 4.1.3 and 4.2.4
Research and development activities.	Section 11
Foreseeable development of the Company's situation, the status of all companies making up the scope of consolidation, and future outlook.	Section 6.3.4
Important events occurring between the closing date of the fiscal year and publication of the report and between the closing date and the date the consolidated financial statements were drawn up.	Sections 20.1, note 27 and 20.7
II – PRESENTATION AND INCLUSION OF THE FINANCIAL STATEMENTS IN THE MANAGEMENT REPORT	
Changes made to the presentation of the annual financial statements or the valuation methods selected. Amount of non-tax deductible expenses. Global amount of sumptuary expenditures and the corresponding tax (Article 223 of the French General Tax Code). Reintegration into taxable income of certain general expenses by global number or expense category.	Section 20.3
Income for the fiscal year and proposed allocation of that income. Reminder of total dividends paid during the last three fiscal years, including tax credit.	Sections 20.3, 20.5 and 26

Mentions relating to the management report Articles L. 225-100 Clause 2, L. 225-102, L. 225-102-1, L. 232-1-II, R. 225-102, L. 225-100-3	Reference Document Section
III – SUBSIDIARIES AND INTERESTS	
Status of interests acquired in companies whose headquarters are on French soil and accounting for over 1/20, 1/10, 1/5, 1/3, 1/2 or 2/3 of the share capital or voting rights of those companies.	Section 20.3
Status of controlling interests in companies whose headquarters are on the French Republic territory.	Sections 9.1.2, 9.3.1, 9.3.2, 5.2.2, and 20.1 note 2.1
IV – INFORMATION REGARDING SHARE CAPITAL, RECIPROCAL SHAREHOLDINGS AND TREASURY SHARES	
Name of the companies controlled and proportion of the share capital the latter hold in the Company (treasury shares).	Sections 18.1 and 21
Identity of individuals or corporate entities owning over 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the share capital or voting rights at shareholders' meetings.	Section 18
V – EMPLOYEE PROFIT-SHARING IN THE SHARE CAPITAL AT THE LAST DAY OF THE FISCAL YEAR (ARTICLE L. 225-102)	
Percentage of the Company's share capital held by employees. Status of employee profit-sharing in the share capital of the Company at the last day of the fiscal year. Mention of the proportion of share capital represented by shares held by employees of the Company and employees of related companies.	Sections 17.3, 17.4 and 18.1
Agreements between shareholders which may result in a reduction in the transfer of shares and the exercise of voting rights.	Sections 17.3, 18.1 and 18.3
VI – STOCK OPTIONS AND BONUS SHARE ALLOCATIONS	
Stock options and bonus share allocations.	Sections 15.1.1, 17.3, 17.4, and 20.1 note 23
VII – GENERAL MANAGEMENT INFORMATION – CORPORATE OFFICERS	
List of positions and titles held in all companies by each of the corporate officers.	Section 14
Choices regarding the role of executive management.	Section 14.1.2
Status of corporate officers: appointment, renewal, notification of replacement.	Section 16
Compensation: Description of fixed, variable and exceptional rights making up compensation packages and benefits, as well as the criteria by which they are calculated or the circumstances under which they were established. Detail of commitments of all kinds made by the company to its corporate officers and particularly any compensation item, indemnities or benefits payable or likely to be payable upon taking, leaving or changing such positions or subsequent to that event. Further details on the mechanisms for determining such obligations as well as their amounts if included in the agreements.	Section 15
VIII – MISCELLANEOUS INFORMATION	
Summary of resolutions submitted at the annual shareholders' meeting.	Section 26
Injunctions or financial sanctions for anti-competitive practices issued by the anti-trust commission.	Section 20.6.1
Information on plants classified as high-risk. - policy for preventing risk of technological accidents implemented by the Company, - ability of the Company to cover third-party liability to property and people resulting from the operation of its plants, - means implemented by the Company to ensure the management of victim indemnification in the event of a technology accident in which the Company's responsibility is engaged.	Sections 4.1.2, 4.2.2, 4.2.6.
Total attendance fees received by members of the Board of Directors over the past fiscal year.	Section 15.1.3.

Mentions relating to the management report Articles L. 225-100 Clause 2, L. 225-102, L. 225-102-1, L. 232-1-II, R. 225-102, L. 225-100-3	Reference Document Section
IX – COMPANY AND ENVIRONMENTAL INFORMATION	
Social information.	Section 17
Environmental information.	Section 6.8
X – STATUTORY AUDITORS	
Mandates awarded to the Statutory Auditors.	Section 2
XI – DOCUMENTS TO BE ATTACHED AS AN APPENDIX TO THE MANAGEMENT REPORT AND/OR TO BE CIRCULATED TO SHAREHOLDERS	
Income statement for the last five fiscal years.	Section 20.3.7
Report of the Board of Directors.	Section 26
Report of the Chairman of the Board of Directors.	Appendix A
Report of the Statutory Auditors on the annual financial statements including the latter's declaration on the exactness and fairness of the information contained in the management report on the compensation of corporate officers.	Section 20.4
Inventory of marketable securities held in portfolios at the end of the fiscal year.	Section 20.3.7 Note 19
Summary table: - on the status of the delegation of authority and currently valid powers granted to the Board of Directors or Executive Committee by the Shareholders' Meeting in terms of capital increases; - on the use made of that delegation in the past fiscal year.	Section 21
Report on share purchase transactions pre-approved by the Shareholders' Meeting in the context of a buyback program.	Section 21.1

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