

REFERENCE DOCUMENT 2011



REFERENCE DOCUMENT 2011

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, 2010: 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 8, 2011 under
 number R.11-009;
- 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.



This Reference Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) on April 4, 2012, in accordance with the provisions of Article 212-13 of the AMF General Regulations. 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.

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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 was filed with the <i>Autorité des marchés financiers</i> (the "AMF") on April 4, 2012. 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.



.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, 2011 presented in this document are the subject of a report by the Statutory Auditors in section 20.2, which contains an observation that does not put into question their opinion. This observation outlines the impact of new standards, amendments and interpretations adopted or early-adopted in 2011."

Jean-Louis Chaussade

Chief Executive Officer

PERSONS RESPONSIBLE FOR INFORMATION





2.1 PRINCIPAL STATUTORY AUDITORS

· Ernst & Young et Autres

1/2, place des Saisons

92400 Courbevoie Paris La Défense 1 - 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 in 2012 to approve the financial statements for the fiscal year ending December 31, 2011. Represented by Charles-Emmanuel Chosson and Pascal Macioce⁽¹⁾.

Aresolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened on May 24, 2012 to appoint Ernst & Young et Autres as Principal Statutory auditor for a new period of 6 years, that will expire at the close of the Ordinary Shareholders' Meeting called in 2018 to approve the financial statements for the fiscal year ending December 31, 2017. 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 in 2014 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

1/2, place des Saisons

92400 Courbevoie Paris La Défense 1 – 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 in 2012 to approve the financial statements for the fiscal year ending December 31, 2011.

A resolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened on May 24, 2012 to appoint Auditex as Deputy Statutory auditor for a new period of 6 years, that will expire at the close of the Ordinary Shareholders' Meeting called in 2018 to approve the financial statements for the fiscal year ending December 31, 2017.

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 in 2014 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.

STATUTORY AUDITORS



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, 2011, December 31, 2010 and December 31, 2009.

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	2011	2010	2009
Revenues	14,829.6	13,869.3	12,296.4
EBITDA (1)	2,512.9	2,339.4	2,059.9
Current Operating Income	1,039.4	1,024.8	926.0
Net Income Group share	322.8	564.7	403.0

⁽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	December 31, 2011	December 31, 2010	December 31, 2009
Non-current assets	18,667.3	18,395.0	13,683.2
Current assets	8,361.3	7,535.4	8,864.4
TOTAL ASSETS	27,028.6	25,930.4	22,547.6
Shareholders' equity, Group share	4,946.1	4,772.6	3,675.9
Non controlling interests	1,871.1	1,854.2	742.2
Other liabilities	20,211.4	19,303.6	18,129.5
TOTAL LIABILITES	27,028.6	25,930.4	22,547.6

Key data from the consolidated cash flow statements

In millions of euros	2011	2010	2009
Cash flows from / (used in) operating activities	1,901.9	1,889.6	1,605.7
Cash flows from / (used in) investing activities	(1,561.4)	(1,315.0)	(1,024.3)
Cash flows from / (used in) financing activities	(297.0)	(1,476.6)	457.7
Impact of changes in foreign exchange rates and others	29.5	16.8	4.1
TOTAL CASH FLOWS FOR THE PERIOD	667.0	(885.2)	1,043.2

SELECTED FINANCIAL INFORMATION

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4.1 MAIN RISKS

Given 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 development goals also expose the Group to strategic risks, which are particularly contingent upon regulatory, climatic and industry developments in the segments in which it is involved.

The Group operates in a rapidly changing environment that triggers 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, earnings, image or outlook, or on the Company's share price.

4.1.1 Risks related to the Group's business sector

A changing competitive environment

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

This strong competitive pressure, which could increase with potential consolidation among private actors (already underway in Europe's waste sector), may put pressure on the commercial development and selling prices of the Group's services, which could have a negative impact on the activities, earnings and outlook of the Group.

The risk of pressure on selling prices is exacerbated in some countries' waste treatment sectors, where the Group may see its facilities' profitability reduced due to a reduction in the rate of use because of overcapacity.

Moreover, in order to offer services that are comparable to or better than those offered by its competitors, the Group may have to develop new technologies and services that will enable it to generate additional revenues, but which involve substantial costs that could have a negative impact on the Group's financial position and earnings.

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

Group exposure to economic cycles

2011 was characterized by a still-weak economic recovery in the first half, which further weakened in the second half and varied by geographical region. Due to its activities, the Group is sensitive to these economic factors, whose potential impact is described below. The economic context that followed the 2008 crisis could continue beyond 2011 and lead to a prolonged slowdown in the activities of the Group's major customers.

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

Due to a possible correlation of the slowdown in activity in Europe, the United States and the Asia-Pacific region, the wide geographical diversity of the Group's sectors only offers partial protection from this risk.

RISK FACTORS Main risks

Group exposure to changes in consumption trends

In the supply 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. In France, for example, the Group estimates that the volumes of water billed have declined on average by roughly 1% per year over the last 15 years.

Productivity gains achieved by the Group, 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 volume reduction.

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

Impact of climatic conditions on earnings from Group water operations

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

In France, for example, exceptional rainfall caused a reduction in water consumption in 2007, while episodes of hot weather generated greater water consumption in 2003. Exceptional rainfall conditions may thus 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 apply to water discharge, the quality of drinking water, waste treatment, soil and water-table contamination, air quality and greenhouse gas emissions (see Section 6.7: Legal and Regulatory Framework).

Overall, regulatory changes offer new market opportunities for the Group's businesses. The Group strives to limit all of these risks by conducting a proactive environmental policy (see Section 6.8.1: Environmental Policy) and an extended insurance program (see Section 4.2.6: Management and Financing of Insurable Risk).

However, there are still many risks that result from the vagueness of some regulatory provisions, and 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, activities, 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 any assurance that it will be able to compensate for the corresponding losses. Regulatory changes may also affect prices, margins, investments and operations, and consequently the Group's activities, 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 especially to compliance obligations. The customer's failure to meet its obligations could injure the Group as operator and harm its reputation and capacity for growth.

Finally, even if the Group complies with applicable regulations, it cannot monitor water quality in all areas of its network. Accordingly, for several years now, France has had a policy, with a 2013 deadline, of eliminating lead service pipes. The Group is offering its customers the replacement of pipes to achieve these objectives. This work involves renegotiation of the contracts concerned. However, the Group cannot exclude the possibility that the goal of eliminating lead pipes by 2013 will not be reached due to 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, by engaging in its businesses in several countries, each with its own regulatory system, the Group diversifies this risk.

Some Group activities require administrative authorizations that can be difficult to obtain, or renew

In performing its activities, the Group is required to hold various permits and authorizations, which often require lengthy, costly and seemingly arbitrary procedures to obtain or renew.

Moreover, the Group may face opposition from local citizens or associations for installing and operating certain facilities (specifically landfills, incinerators and wastewater treatment plants) involving nuisances, landscape degradation 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

Main risks

that could delay or impede its operations or the development of 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 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 environmental regulations and tax laws 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 economic models based on the emerging risk of waste activities being included in some countries' regulations to reduce greenhouse gas emissions.

On the other hand, incorporating ${\rm CO_2}$ restrictions into provisions to support renewable energies and other regulatory and tax provisions complicates the economic model in the waste business, and creates greater pressure than ever to guide 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 from landfills, taking into consideration energy produced from this

biogas, as well as the biogas generated by sludge treatment plants and biowaste anaerobic digestion and incineration as a source of renewable energy.

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 such mechanisms will cover all of the additional costs generated by increases 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 plastics, 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 activities, earnings and outlook.

Through its subsidiaries, Degrémont and OIS, the Group has an information system designed to anticipate any increase in raw materials prices as much as possible. For projects that require large quantities of raw materials, which are the most sensitive to market fluctuations, the Group tries to consolidate its procurement sources and maintain a sufficient number of suppliers for strategically important equipment and raw materials. The objective to achieve is to obtain the best market conditions at all times.

4.1.2 Risks related to the Group's business activities

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 long, is particularly contingent on controlling cost and construction timeframe, operating performance and long-term trends of the competitive environment, any of which could impair the profitability of certain assets or result in loss of revenues and asset depreciation.

RISK FACTORS Main risks

Risks related to design and build activities

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

These risks are related to the completion of fixed-price turnkey contracts. Under the terms of such contracts, Degrémont and OIS agree to engineer, design and build operation-ready plants for a fixed price. The effective expenses resulting from executing a turnkey contract can vary substantially from initial projections for different reasons, such as:

- unforeseen increases in the cost of raw materials, equipment or labor;
- unexpected construction conditions;
- delays due to weather and/or natural catastrophes (particularly earthquakes and floods);
- non-performance of suppliers or subcontractors.

The terms of a fixed-price turnkey contract do not necessarily give the possibility, to Degrémont or OIS, to increase prices to reflect elements that were difficult to predict when the bid was submitted. For these reasons, it is impossible to determine with certainty the final costs or margins on a contract at the time the bid was submitted, or even at the start of the contract's execution phase. If costs end up rising for one of these reasons, Degrémont or OIS might have to reduce their margins or even book a significant loss on a contract.

Degrémont's or OIS' engineering, supply and construction projects can encounter problems that may entail a reduction in revenues, disputes or lawsuits. These projects are generally complex, and require major purchases of equipment and large-scale project management. Schedule shift can occur, and Degrémont or OIS might encounter design, engineering, supply chain, construction or commissioning problems. These factors can impact their ability to finalize a project within the original deadline.

Certain terms of the contracts concluded by Degrémont and OIS require the client to provide particular design- or engineering-related information, and material or equipment to be used in the project. These contracts can also require the client to compensate Degrémont or OIS for additional work done or expenses incurred, if (i) the client changes its instructions, or (ii) the client is not able to provide Degrémont or OIS with the specified design or engineering information, materials or equipment for the project.

In such cases, Degrémont and OIS usually negotiate financial compensation from the client for the additional time and money spent due to the client's failure to meet its contractual obligations. However, the Group cannot guarantee that Degrémont or OIS will

receive sufficient compensation to offset the extra costs incurred, even if it takes the dispute to court or arbitration. In such case Degrémont's or OIS', or even the Group's earnings and financial position could be significantly affected.

Degrémont or OIS and, depending on the circumstances, the Company or other Group entities - as part of the guarantees given to cover their subsidiaries' commitments - may be required to pay financial compensation if the latter breaches contractual deadlines or other terms of the contract. For example, the new facility's performance may not comply with project specifications, a subsequent accident may invoke the Group's civil or criminal liability, or other problems may arise (now or in the future) in the performance of the contract that may also significantly impact Degrémont's or OIS' operating income or even the one of the Group.

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 their supply of water, waste, electricity, and equipment.

Degrémont and OIS generally use subcontractors and suppliers in performing their contracts. If Degrémont or OIS could not hire subcontractors or buy equipment or materials, their ability to complete a project generating a significant margin or meeting its deadlines, would be seriously compromised. If the amount that Degrémont or OIS have to pay for these services, equipment or materials exceeds the estimates in the bid submitted for a fixed-price contract, Degrémont or OIS could incur losses in completing the project. Any delay by a subcontractor or supplier in performing its part of the contract, any failure by a subcontractor or supplier to meet its obligations, and any other circumstance attributable to the subcontractor or supplier that is beyond Degrémont's or OIS' ability to control or predict, may entail delays in the overall timeline for the project and/or entail potentially significant additional costs.

Degrémont uses credit risk analysis in its subcontractor and supplier selection process, which can lead to not retain a subcontractor or supplier, or required to provide bank guarantees or submit to special payment terms that reflect the risks incurred. Despite the effectiveness of this process, subcontractors and suppliers may fail to meet their obligations, resulting in delays and significant additional costs. Degrémont or OIS may be required to compensate the client for such delays. Even if such additional costs can be effectively charged to the defaulted subcontractor or supplier, Degrémont or OIS bears the risk of not being able to recover their full costs, and this could significantly impact their earnings. Any interruption or delay in the supply of or failure to respect a technical

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performance guarantee on a major piece of equipment could affect the profitability of a project and have a negative impact on the Group's activities, earnings and outlook.

If the Group's partners fail to fulfill their obligations under the partnership agreement, Degrémont, OIS or the Group may incur additional obligations relating to the partner's failure (to meet a deadline, for example), and may reduce its profit or, in some circumstances, generate a significant loss.

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 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, non-renewal or modification of contracts with public authority

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. If a contract is unilaterally cancelled or amended by the co-contracting public authority, the Group may not be able to obtain compensation that fully offsets the resulting loss of earnings.

Moreover, the Group does not always own the assets that it uses in its operations under a delegation of public service contract (primarily

through public service concessions contracts or leasing agreements). The Group cannot guarantee that the contracting authority will renew each of its existing delegation of public service contracts in its favor, or that the financial conditions of the renewal will be the same than the initial delegation. This situation could negatively impact the Group's business, financial position, earnings and outlook.

Risks related to external growth operations

The Group's development strategy prioritizes organic growth, but may be supported by external development or growth operations through the acquisition of assets or companies, and by taking interests in entities or developing partnerships in the waste and water businesses and in geographical areas where the Group wishes to expand. Given the competitive environment, the Group may be unable to successfully finalize development or external growth operations decided, according to its investment criteria.

Moreover, external growth operations may involve a number of risks related to the integration of the acquired businesses or staff, difficulty in generating the synergies and/or savings expected, an increase of the Group's debt and the emergence of unexpected liabilities or costs. The occurence of one or more of these risks could have a negative impact on the Group's activities, financial position, earnings and outlook.

Risks related to a 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 a number of emerging countries. The Group's activities in these countries involve a certain number of risks that are higher than in developed countries, such as GDP volatility, 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 specific geographical region, events and 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

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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's 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, the Group may be required to enter into new partnerships in order to develop its activities.

Partnerships are one of the means by which the Group shares the economic and financial risk inherent in certain major projects by limiting the amount of its capital employed and allowing it to better adapt to the specific context of local markets. Moreover, partnerships may be required by local laws and regulations. The partial loss of operating control is often the counterpart of such 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 or a the economic position of a partner, or the occurrence of a disagreement between the partners, may lead to a partnership breaking up, particularly if partners exercise puts or calls on shares or if one partner demands dissolution of the joint venture, or through the exercise of a pre-emptive right. These situations can also lead the Group to seek to strengthen its financial commitments in certain projects or, in the event of conflict with its partner(s), to seek 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. Moreover, the Group cannot guarantee that the projects it operates through a partnership can be run in respect of the projected timetable and according to satisfactory economic, financial and legal terms conditions and will ensure the long-term profitability that was originally projected.

Risks of civil and environmental liability

The business areas in which the Group operates involve a major risk of civil and environmental liability. The increase of the legal, regulatory and administrative requirements expose the Group to greater risk of liability, particularly in terms of environmental responsibility, including

liability for assets the Group no longer owns or for activities that it has discontinued. Specifically, the existing regulations impose the obligation to restore environmentally classified sites when operations finally end, which requires the booking of provisions.

In addition to contractual precautions, the Group strives to limit all these risks as part of its environmental responsibility policy (see Sections 4.2.2. Management of Industrial and Environmental Risks and 6.8.1. Environmental Policy) as well as through its insurance policies (see Section 4.2.6. Management and Financing of Insurable Risks). However, the civil liability and environmental risk insurance policies subscribed for by the Group may prove insufficient in certain cases, and could generate major costs and negatively impact the Group's financial position, earnings and outlook.

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 and 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 the public authorities. These changing regulations with regard to environmental responsibility and environmental liabilities carry the risk of an increase in the Company's vulnerability in relation to its activities. This vulnerability must 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 and even generate dangerous products or by-products. This is the case, for example, for certain chemical products involved in water treatment. In waste treatment, some Group facilities treat special industrial or medical waste that may be toxic or infectious.

In waste management, gas emissions to be considered include greenhouse gases, gases that induce acidification of the air, noxious gases and dust. In water activities, the potential air pollutants are mainly chlorine and 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, discharges of heavy metals into the environment or aqueous discharges from flue gas treatment systems at incineration plants. These various types of emission could pollute water tables or streams.

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

Soil pollution issues could arise in the event of accidental spills of stored dangerous products and liquids, leaks in processes involving hazardous liquids and the storage and spread of sludge.

Various mechanisms are used to monitor all of 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 interfere with 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 of third parties, landslides, earthquakes, etc...). Such industrial accidents may cause wounds, loss of human life, significant damage to property or 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 water delivery for a fairly large area, resulting in losses of revenues and the risk of having to pay the applicable 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 on the highest risks as a priority. An internal risk control procedure, in line with an internal reference framework, is implemented and coordinated by the Health and Safety Department.

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 ("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 as "high-threshold" Seveso sites in Europe, 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 thus have a negative impact on the Group's public image, activity, financial position, earnings and outlook.

The Group implements an accident prevention policy through a series of initiatives and actions, including employee training, communications and by holding managers responsible, thus enabling it to maintain its permanent target of zero-accident (see section 4.2.2.3 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 skills, the Group must anticipate labor shortages 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 its needs, the Group has implemented a human resources policy focused on employment tailored to various locations and on fostering employability through training development.

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The Group's success depends upon its ability to hire, train and retain a sufficient number of employees, including managers, engineers and technicians, who have the required skills, expertise and local knowledge. Competition among employers for this kind of profile is strong.

To retain skilled personnel, the Group has implemented a management policy aimed at key staff, with essential, high-potential profiles for which special loyalty arrangements and an "alert system" are in place.

Project safety management

Over many years, the Group has developed special know-how regarding the safety of large sites through various large projects in Central America, South America, Africa, the Middle East and Asia.

Faced with increasingly complex and unstable safety conditions, the Group has developed, via a dedicated internal service supported by the GDF SUEZ safety division, its own upstream analysis system for potential risks and an overall safety management system based on evolving solutions that are adapted to local and regional specificities. Thus, the Group continually analyzes unstable situations so as to identify the source of potential damages. This internal system is operational as we have seen, in early 2011, through the proactive management of the crises in Africa and the Middle East.

Risks of labor conflicts

Organizational changes and lack of understanding of the Group's strategy can lead to ineffective cooperation and negotiation efforts 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, the occurrence of labor disruptions in the waste segment could have a negative impact on the Group's public image.

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

The Group is very aware of risks involving deteriorations in employees' and subcontractors' health, and takes measures to protect their health and safety, being very careful 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 such 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 who continue to work during pandemics.

Risks related to legislative changes in France on hard work

Due to changes in retirement conditions, the Group may be obliged to anticipate the retirement dates of certain personnel who perform hard work.

Risks of criminal or terrorist acts at Group 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 Group's public image, activity, financial position, earnings and outlook.

Risks related to natural disasters or other major events whose extent is difficult to predict

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, freezing, drought, landslides etc. Morever the occurrence of natural disasters, other major events, whose extent is difficult to predict (major epidemics etc.), could impact the Group's activities.

The Group's policy is to cover those risks through its insurance programs with premium insurance companies and suitable coverage. However, the Group cannot guarantee that the measures taken to control these risks will prove fully effective if any such event should occur. Moreover, the Group may not always be able to maintain a level of coverage that is at least equal to its existing coverage and

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at no higher cost. The frequency and extent of natural disasters observed in recent years could impact both the capacity of insurance markets to cover such risks and the cost of insurance coverage.

lead to loss of business, loss of data or breach of confidentiality, and could negatively impact the Group's activities, financial position and earnings.

Risks related to information systems

Information systems are critically important in supporting all Group business processes. These are increasingly becoming interconnected and cross-functional between business segments. Any failure could

Risks related to ethics breaches

Actions of staff, corporate officers or representatives that contravene the principles affirmed by the Group could expose it to legal and civil penalties and may also lead to loss of reputation.

4.1.3 Market risks

4.1.3.1 Interest rate risk

The Group's exposure to interest rate risk derives mainly from its floating rate net financial debt. As of December 31, 2011, the Group's net debt (excluding financial derivatives and amortized

cost) totaled €7,388.8 million, 12% at floating rates and 88% at fixed rates before hedging, and 22% at floating rates and 78% at fixed rates after hedging.

The following table shows the Group's net debt by type of rate (after hedging) as of December 31, 2011:

		Net debt	Net debt			
In millions of euros	Total	at fixed rate	at floating rate	Less than 1 year	1 to 5 years	Beyond
Amount	7,388.8	5,780.3	1,608.5	(565.6)	2,635.7	5,318.7

The following table shows the Group's net debt position exposed to floating interest rates as of December 31, 2011:

In millions of euros	Total
Gross debt	3,362.2
Cash equivalent assets*	(2,508.2)
Net position before management	854.0
Impact of interest rate derivatives	754.5
Net position after management	1,608.5
Impact of a 1% increase in short-term interest rates on income after management	(17.9)

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

An interest risk sensitivity analysis is presented in Note 13.1.3.2 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 Foreign exchange 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 geographical 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 eurozone 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, 2011 (including financial derivatives and amortized cost):

In millions of euros	Euro ⁽¹⁾	US dollar	Pound sterling	Chilean peso	Australian dollar	Other ⁽²⁾	Total
Net debt before the effects of Forex derivatives	5,113.3	780.6	319.4	1,027.9	181.0	135.1	7,557.3
Net debt after the effects of Forex derivatives	3,505.6	1,602.5	338.5	1,120.3	384.7	605.7	7,557.3
Impact on income of a 10% net appreciation of the euro on net position after management	14.7	13.3	(3.3)	0.0	(10.5)	(4.5)	9.7

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

The following table shows distribution of the Group's capital employed by currency as of December 31, 2011:

			Pound		
In millions of euros	Euro ⁽³⁾	US dollar	sterling	Other(4)	Total
Capital employed	9,694.2	2,037.7	812.2	1,863.0	14,407.1

⁽³⁾ Euro: including Agbar and its subsidiaries.

With respect to the US dollar, the following table presents the impact of changes in the US dollar exchange rates in 2011 versus 2010 on revenues, EBITDA, net debt and the amount of equity as of December 31, 2011:

In millions of euros	Change
Revenues	(34.1)
EBITDA	(8.0)
Net debt	35.6
Total equity	29.6

The calculation of revenues and EBITDA was performed based on the variation in the average 2011-2010 US\$/ \in exchange rate (-4.7%); for net debt and equity, it was based on the closing US\$/ \in exchange rate between December 31, 2011 and 2010 (+3.3%).

With respect to the pound sterling, the following table presents the impact of changes in pound sterling exchange rates between 2011 and 2010 on revenues, EBITDA, net debt and the amount of equity as of December 31, 2011:

In millions of euros	Change
Revenues	(10.8)
EBITDA	(1.6)
Net debt	8.5
Total equity	20.1

The calculation of revenues and EBITDA was performed based on the variation in the average 2011-2010 £/ \in exchange rate (-1.1%); for net debt and equity, it was based on the closing £/ \in exchange rate between December 31, 2011 and 2010 (+3.0%).

An exchange risk sensitivity analysis is presented in Note 13.1.2.2 to the consolidated financial statements, Section 20.1. The foreign exchange rate risk management policy is described in Section 4.2.4.2.

⁽²⁾ Mainly the Hong Kong dollar.

⁽⁴⁾ Mainly the Australian dollar, Czech koruny, Chinese yuan, Hong Kong dollar and Swedish krona.

Main risks

4.1.3.3 Liquidity risk

The following table presents the maturity schedule for the Group's debt and the amount of its cash as of December 31, 2011:

						Beyond
In millions of euros	Total	2012	2013	2014	2015	2015
Total borrowings	9,270.5	1,316.1	203.3	1,301.6	459.5	5,990.0
Overdrafts and current accounts	626.5	626.5				
Total outstanding financial debt	9,897.0	1,942.6	203.3	1,301.6	459.5	5,990.0
Of which GDF SUEZ share	148.2	6.0	6.0	6.0	106.0	24.2
Cash equivalent assets ⁽¹⁾	(2,508.2)	(2,508.2)				
Net debt (excluding derivative financial instruments and amortized cost)	7,388.8	(565.6)	203.3	1,301.6	459.5	5,990.0

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

Some borrowings contracted by the Group's subsidiaries 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. 11% of borrowings exceeding €50 million are subject to financial covenants as of December 31, 2011. At the date of this Reference Document, all financial covenants relating to these borrowings are respected. The Group was in compliance with all these covenants as of December 31, 2011. 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 COMPANYS share price, or on the Group's rating. Details on short-term and long-term ratings and their evolution over the course of fiscal year 2011 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 Group's consolidated debt as of December 31, 2011.

The following table shows borrowings contracted by the Group as of December 31, 2011 in excess of \in 50 million:

		Total amount of lines at Dec. 31, 2011	Amount drawn down at Dec. 31, 2011	
Туре	Fixed/floating rate	In millions of euros	In millions of euros	Term
Bond issue	Fixed rate	962	962	2014
Bond issue	Fixed rate	800	800	2019
Bond issue	Fixed rate	750	750	2021
Bond issue	Fixed rate	500	500	2022
Bond issue	Fixed rate	500	500	2024
Credit facility	Floating rate	1500	416	2016
Borrowing	Floating rate	300	300	2012
Bond issue	Fixed rate	299	299	2030
Bond issue	Fixed rate	250	250	2017
Bond issue	Fixed rate	150	150	2017
Borrowing	Floating rate	133	133	2018
Bond issue	Fixed rate	130	130	2026
Lease arrangement	Floating rate	122	122	2024
Credit facility	Floating rate	256	118	2012
Bond issue	Fixed rate	101	101	2025
Bond issue	Fixed rate	100	100	2018
Bond issue	Fixed rate	88	88	2026
Bond issue	Fixed rate	83	83	2014

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Туре	Fixed/floating rate	Total amount of lines at Dec. 31, 2011 In millions of euros	Amount drawn down at Dec. 31, 2011 In millions of euros	Term
Borrowing	Floating rate	75	75	2019
Borrowing	Floating rate	67	67	2017
Bond issue	Fixed rate	63	63	2028
Bond issue	Fixed rate	62	62	2026
Credit facility	Floating rate	83	59	2015
Credit facility	Floating rate	59	59	2012
Bond issue	Fixed rate	58	58	2031
Bond issue	Fixed rate	56	56	2015
Borrowing	Floating rate	55	55	2017
Bond issue	Fixed rate	55	55	2012
Lease arrangement	Fixed rate	53	53	2018
Borrowing	Floating rate	51	51	2020
Borrowing	Floating rate	63	50	2015
Bond issue	Fixed rate	50	50	2039
Credit facility	Floating rate	59	47	2014
Credit facility	Floating rate	110	46	2012
Credit facility	Floating rate	71	28	2012
Credit facility	Floating rate	104	18	2012
Credit facility	Floating rate	60		2016
Credit facility	Floating rate	100		2016
Credit facility	Floating rate	50		2015
Credit facility	Floating rate	50		2012
Credit facility	Floating rate	200		2014
Credit facility	Floating rate	350		2013

As of December 31, 2011, the Group had the following unused confirmed credit facilities available:

Year of expiration	Confirmed but unused credit facilities programs In millions of euros
2012	500.5
2013	372.7
2014	211.8
2015	73.6
2016	1,284.1
Beyond 2016	39.3
TOTAL	2,482.0

Main risks

These programs of facilities include a €1.5 billion syndicated credit loan for SUEZ ENVIRONNEMENT COMPANY with an initial term of five years, set up in 2010 and renegotiated in February 2011 to extend the term and improve the financial conditions. New bilateral lines of credit were also set up in 2011 in the amount of €600 million, including a €350 million line granted by GDF SUEZ. 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, recently made more restrictive, 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 upon trends in global stock markets.

As of December 31, 2011, the Group held interests in publicly traded companies (mainly Acea) with a market and book value of €147.2 million. An overall decrease of 10% in the value of these shares compared to their prices as of December 31, 2011 would have had an impact of approximately €14.7 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, in certain cases it is still possible that the Group may have to pay large indemnities that are not covered by the existing insurance program or may 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 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 Group's entities. An unfavorable outcome in such proceedings could have a negative impact on the Group's activities, financial position and earnings.

4.1.6 Tax-related risks

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

During the normal course of business, Group companies could also face tax investigations by local authorities. In this respect, tax investigations performed by French or foreign authorities are underway and 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 competent local authorities. If necessary, these approval decisions may be challenged. A challenge may result if the Company or companies that are party to an approval decision break a commitment assumed in exchange for its issuance, for example, or if the facts based on which the approval decision was issued change, and/or if 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 had contributed. To prepare the consolidated financial statements, tax losses transferred under this agreement are updated every year to take into account any tax adjustments relating to the period when subsidiaries were 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 are at times 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 Group's financial results or those of its competitors from one period to the next;

- competitors' announcements or announcements about the water and waste sectors;
- · announcements of changes in the Company's shareholders;
- announcements of changes in the Group's management team or key personnel;
- 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

.1 General framework of the Group's risk management and control

Management of the risks the Group is facing involves identifying and assessing such risks 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 various subsidiaries. The network is headed by the CRO.

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

This process, which is overseen centrally by the CRO and by the network of risk officers in the subsidiaries, makes it possible, in particular, to draw up an annual summary of the Group's major risks. 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.

Risk management and control within the Group

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, based on periodic reporting from the subsidiaries and from SUEZ ENVIRONNEMENT, is performed by a network of lawyers;
- within the Finance 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 subsidiaries' actual and projected financial performance through the monthly monitoring of operating and financial indicators, prepares the Group's short-term and medium-term financial forecasts and participates in the analysis of development projects involving the Group and its subsidiaries. The Internal Control Department has rolled out an annual program of documentation, improvement and assessment of internal control within the main Group subsidiaries, 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;
- the Investment and Risk Department participates jointly with the Planning and Control Department and the Legal Department to the analysis of the projects involving the Group and its subsidiaries;
- the Internal Audit Department, after consultation with the CRO, proposes an annual audit plan on the basis of analysis of Group companies' operational and financial risks. 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 conveys its conclusions and recommendations for corrective actions:
- the Human Resources Department analyzes the main labor risks and gaps in terms of skills and corporate culture. The department develops action plans to recruit local talent and develop skills.
 The Health and Safety Department monitors and ensures the prevention of occupational illnesses and accidents related to the Group's businesses, ensuring that warning and crisis management procedures are established within the subsidiaries and SUEZ ENVIRONNEMENT, with the aim of establishing a culture of prevention at all levels that also improves the quality and continuity of operations;

- the Research, Innovation and Performance Department:
 - studies and monitors environmental risks, and coordinates the
 actions needed to tighten control of such risks and to ensure
 compliance with environmental requirements. To do so, 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 also establishes and distributes best practices and operational benchmarks to the subsidiaries, and 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 the 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.);
- the Communication Department analyzes and manages the risks to image and reputation, and 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 risk are as follows:

- obtain regular updates on the Group's financial position, cash position and major commitments and risks;
- 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.

On December 14, 2011, the 2011 results in the global risk management policy were presented to the Audit Committee, which was informed of the exposure to risks linked to the financial and economic crisis and was presented with an overview of risks for all the Group's activities. For more details, please refer to the Chairman's report on Company Governance and internal control process inserted into this document.

Implementation of internal control is consistently carried out 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 effects. 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 sectors. 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 6.8.1 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 regulation. which require operational upgrades. They may also be due to the acquisition of facilities for which investments are planned, or simply to the aging of 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 of the latter may not necessarily comply with regulatory requirements. When an area of non-compliance is identified, the Group implements various types of responses, which may involve improvements in a site's operational management or investments to bolster or replace site equipment.

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 a significant awareness raising program for local authorities in order to anticipate the European environmental regulations that might 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 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 that deployed for waste, has been in place since 2004. The audits, carried out by the Group or external experts, focus as a priority on wastewater facilities, water treatment plants, and sludge management at purification plants. Risk prevention plans also 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 water treatment plants are not adapted to the supply to be treated, and proactively suggests the solutions best suited to each context. The Group also informs local public entities that 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 intends 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 such 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

Risk management and control within the Group

stored on-site, and must comply with regulatory procedures 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, and 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, and no major non-compliance or major environmental risk was detected on-site. The site is also certified as "Entsorgungsfachbetrieb", a German environmental certification whose annual renewal is granted by the German government only after an audit.

The site in Constanti, Spain is a hazardous waste incinerator that treats 40,000 tons per year, and the site in Barbera del Vallès, Spain is a transfer and collection site for hazardous waste that treats 12,000 tons per year. Both sites were audited in 2010 by the Group's

environmental audit team, and no major non-compliance or major environmental risk was detected. Both sites also 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, which 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 and external impacts of a technical, social, health-related, economic or reputation-related nature. The emphasis is therefore on increasing awareness and training teams for crisis management, particularly through simulations, and on the development of an exchange culture 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 an increasingly complex, 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 process to be followed in entering into certain contracts, as well as feedback on dispute risks (to foster proactive management) and developments regarding major pending litigations.

The terms and conditions for certain Group activities, particularly the fact that certain contracts are very long-term (30-50 years) and consequently subject to periodic renegotiations, also require ongoing involvement from the Group's legal departments in order to assist operating departments in conducting such 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 and 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 meeting chaired by the Chief Administrative and Financial Officer, and decisions regarding such issues are made 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 and floating rates. The aim is to achieve a balanced distribution among the various interest rates and maturities.

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 13.1.4 to the Consolidated Financial Statements, Section 20.1.

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The Group's exposure to interest rate risk is centrally managed and regularly reviewed during Treasury Committee meetings. Hedges decided upon by the Treasury Committee are generally executed and implemented on behalf of the Group by its 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 derivatives (swaps), which allow for the creation of synthetic currency debts. The financial instruments held by the Group to hedge foreign exchange risks are detailed in Note 13.1.4 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 when:

- the hedging cost (ultimately, the interest rate of the reference currency) is too high;
- the currency's liquidity and/or the available hedging durations are insufficient;
- 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 2011 financing policy had the following objectives:

 to diversify financing sources by resorting to the banking market and capital markets;

- · to extend the average duration of debt;
- to balance the repayment profile of financial debt.

As a result of the various transactions undertaken during 2011, as described in Section 10 of this Reference Document, the sources of financing as of December 31, 2011 were as follows: bank funding represented 26% of gross financial debt (excluding bank overdrafts, amortized cost and derivative effects). Capital market financing represented 64% of the total (securitization accounting for 3% and bonds for 61%). As of December 31, 2011, cash equivalent assets represented €2,699.6 million and confirmed lines of credit €3,471.7 million, of which €989.7 million had been drawn down. As of that date, the Group also had total liquidity consistent with its size and the maturities had to meet.

Liquidity risk is regularly monitored by the Treasury Committee, with monthly reporting of consolidated group debt including a debt schedule for the current year, years y+1 to y+4 and beyond.

Access to the long-term capital markets is primarily concentrated through SUEZ ENVIRONNEMENT COMPANY (the Parent Company) for new bond issuance and structured bank debt.

4.2.4.4 Management of counterparty risks

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 and an assessment of the financial position of these counterparties.

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 counterparties' qualifications as a function of external ratings and objective market aspects (credit default swaps, stock market capitalization) and 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, 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.

Risk management and control within the Group

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 due to fuel consumption by the main subsidiaries active in the waste sector (Sita France, Sita Deutschland and 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).

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 the subsidiaries concerned.

4.2.5 Ethics policy

The Group's presence in many countries means that it must pay particular attention to the issues of 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 Group employee. 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, and is the basis for all successful cooperation, with the Group's suppliers and customers alike. Corruption in its various forms has a harmful impact on the Group's economic health and its image, 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 corrupt practices and combats them through its comprehensive ethics policy, which comprises:

 an Ethics Charter, complete with a practical guide issued in 2010 and available in eight languages: French, English, Spanish, German, Dutch, Czech, Arabic and Chinese. These documents, which can be consulted by any Group employee via the SUEZ ENVIRONNEMENT intranet, have been prepared to reflect ethics and conduct standards 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 Company's Board of Directors set up an Ethics and Sustainable Development Committee, which is responsible for, among other things, monitoring the Group's ethics and sustainable development policies and ensuring that Group employees comply with the individual and collective values on which the Group's activities are based. (For a description of the Ethics and Sustainable Development Committee, see Section 1.3.2 of the Chairman's Report for 2011 in Section 16.5 of this Reference Document).

The ethics policy, whose aim is to prevent or detect behaviors that are contrary to the Group's ethical rules, is coordinated within the Group by the General Secretary, who serves as the Group Ethics Officer and who is also responsible for the Legal, Internal Audit, Water and Waste projects, Information Systems, Risk/Investment, Insurance and Procurement Departments. The ethics policy is applied in all main subsidiaries that have designated ethics officers, who are responsible for ensuring the roll-out and effectiveness of the ethics policy within their subsidiary and for implementing internal and external investigation procedures for any issue brought to their attention that might potentially be in breach of the Group's ethics rules.

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

The Group Ethics Officer then produces an annual report on the activities involving the ethics policy 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 and to meet contractual or legal requirements, the Group has created dedicated insurance programs to cover its main risks, which involve damage to property, civil liability and personal insurance.

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

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

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

- the transfer of risk to the insurance market is performed as often as possible through transversal programs in strategic areas, because of either the potential intensity of the risks covered or the economies of scale generated by transversal programs;
- the financing of random low- or moderate-intensity risks 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 2011, the premiums (including taxes and retentions) relating to the main insurance programs established by the Group in the areas of asset protection (covering property damage and interruption of business) and third party recourse amounted to approximately 0.3% of consolidated revenues.

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 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 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 the legislation currently in force and with Company agreements, programs for protecting employees against the risk of accidents and medical costs are set up at 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.



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5.1 GROUP HISTORY AND REORGANIZATION

5.1.1 Legal name

The legal name of the Company is SUEZ ENVIRONNEMENT COMPANY.

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 Company's date of incorporation and term

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. The Combined Ordinary and Extraordinary Shareholders' Meeting of May 19, 2011 ratified the head office transfer as Resolution 6.

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 Group history

For 131 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 managed 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, which have developed their know-how, over more than a century in certain cases, in serving their customers.

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

Société Lyonnaise des Eaux et de l'Éclairage operated in the water, electricity and gas distribution public services for the rapidly growing cities and suburbs of Cannes, Bordeaux, Lille and Rouen. From the very beginning, Lyonnaise des Eaux was also developing its activities abroad.

GROUP INFORMATION

Group history and reorganization

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 public service delegation. It later diversified into passenger transport and corporate vehicle leasing.

1946: PARTIAL NATIONALIZATION OF LYONNAISE DES EAUX

In 1946, France nationalized the gas and electricity sectors, and Société Lyonnaise des Eaux et de l'Eclairage was partially nationalized. The company therefore 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 order to meet increasing environmental protection requirements, Sita set up a waste sorting and recycling branch in the 1970s. In 1971, Lyonnaise des Eaux acquired a stake in Sita, which became the Group's "waste 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 again 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 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 of 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 SUEZ ENVIRONNEMENT to this new company, and distributed 65% of the Company's capital to SUEZ shareholders prior to the merger. Since that distribution, the merged entity GDF SUEZ has had a stable equity stake in the Company (35.68% as of December 31, 2011).

2010: AGBAR TAKEOVER

On June 8, 2010, SUEZ ENVIRONNEMENT completed the process of taking over Aguas de Barcelona (Agbar), announced in October 2009. As a result of this transaction, SUEZ ENVIRONNEMENT owned 75.23% of Agbar (75.35% as of December 31, 2011), a company formed in 1882 and specializing in water cycle management in Spain and other countries (primarily Chile).

GROUP INFORMATION

Investments



5.2.1 Main SUEZ ENVIRONNEMENT COMPANY investments over the past two years

A description of the principal investments made by the Group over the course of 2010-2011 is provided in Section 9.3.1 (Cash flows from investment activities) of this Reference Document.

5.2.2 Main Company investments underway

None.

5.2.3 Main investments planned or subject to firm commitments from management bodies

None.

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6.1 GENERAL INFORMATION

With total revenues of €14.8 billion and some 80,410 employees as of December 31, 2011, 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 thorough 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:

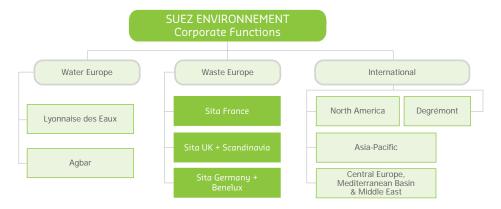
- waste collection (household waste, waste from local authorities and industrial waste; non-hazardous and hazardous waste, excluding waste that may be contaminated by radioactive residues from nuclear activities) and urban cleaning services;
- · pretreatment of such waste;
- sorting, recycling, and material, 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 activities through public and private customers, under various types of contracts:

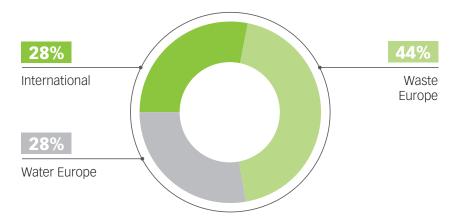
- in the water sector, the Group primarily enters into public service delegation contracts (leases or concessions) and public contracts, as well as service, operation and maintenance contracts and building and engineering contracts;
- in the waste sector, the Group enters into service or management contracts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

In 2011, 49.7% of the Group's consolidated revenues were earned in the water segment and 50.3% in the waste segment.

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

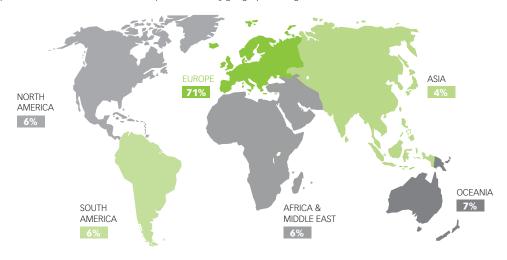


The graph below shows the distribution of the Group's consolidated revenues as of December 31, 2011, according to this organization (the "Other" segment is not shown, as it covers only corporate functions within SUEZ ENVIRONNEMENT):



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, 2011(1):



(1) This map 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 document.

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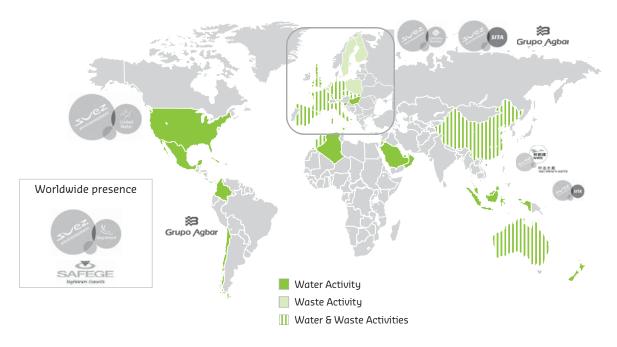
Group's strengths

The Group benefits from an extensive network of subsidiaries and agencies: as of year-end 2011, the Group was active as an operator in 36 countries. Thus, outside of Europe, such major cities as Hong Kong, Casablanca, Algiers and, more 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 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 partnerships 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 brands around the world as of December 31, 2011:



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, CEMAGREF and CNRS in France, Tongji and Tsinghua Universities in China and UCLA in the

United States) and private actors (such as the R+i Alliance partnership comprising Lyonnaise des Eaux, Agbar, United Water, Northumbrian Water and SUEZ ENVIRONNEMENT).



5.2 GROUP'S STRENGTHS

A major player in environmental activities

With total 2011 revenues of €14.8 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 Europe and No. 3 worldwide in the waste sector.

In the water sector, in 2011 the Group operated over $1,200^{(1)}$ drinking water production plants, serving a population of 91 million people⁽²⁾. The Group also operated over 2,300 wastewater treatment sites, meeting the needs of 63 million people⁽²⁾.

- (1) The definition of drinking water production plants introduced in 2010 excludes "ordinary disinfection" plants.
- (2) The basis for calculating the population served by the water segment is the "managed" scope of consolidation (fully consolidated companies, proportionately consolidated companies and equity associates). Plants in operation, for which Degrémont provides complete wastewater treatment or drinking water services, are included.

Group's strengths

In 2011, the Group treated nearly 42 million metric tons of waste, and served approximately 57 million people and more than 435,000 customers 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: increasingly stringent health and environmental regulations, population growth, urbanization and resource scarcity.

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's 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 the populations – resulted in an increasing demand for complex services and favors the growth of players in these markets, particularly global players like SUEZ ENVIRONNEMENT. For example, 89% of Europeans would, according to the European Commission, agree to the European Union assigning more funds to support environmentally friendly activities and development (source: Eurobaromètre, 2011).

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 13% between 1999 and 2011 (source: Pinsent Masons Water Yearbook 2011-2012) 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 contract, adapted to all categories of customer, including both local authorities and private industrial players.

A player able to benefit 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 and compost treatment), combining research and development in various target programs (such as biomass management for material and 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. Similarly, the sludge drying facility and wastewater treatment plant at the Suzhou industrial park, which supplies the neighbouring cogeneration plant, is an example of a concrete application of circular-economy principles.

Group's strengths

An emphasis on research and development at the core of the Group's culture

For over 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 (the "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 2011, 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 €74 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", whith a budget of almost €9 million in 2011. Moreover, convinced that innovation also means encouraging external partnerships and especially with start-ups, the Group has implemented a deliberate approach of stimulatation, promotion and co-funding for innovative technical, commercial and management initiatives and projects by methodically reviewing the various project proposals put forward by local teams (technological tests) and by investing in innovative start-ups via Blue Orange, the investment fund created in 2010 for this purpose.

The Group believes that its technological expertise allows it to effectively meet its customers' expectations and to rank among the leading players with regard to 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 businesses and geographical exposure.

The Group's total revenues show a balance between its water and waste activities. SUEZ ENVIRONNEMENT has a strong European base: 71% of its revenues earned in Europe. SUEZ ENVIRONNEMENT's position favors developed markets, with stable political and legal

systems: 84% 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 of 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, United Water's positioning in regulated activities in the United States 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 that offer high growth potential in 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 Services 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.

Group's strengths

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 resources and promote the circular economy:
- · maximize waste recycling and recovery rates,
- · increase the technical yields of drinking water networks;
- 2. Innovate to respond to environmental issues:
- · reduce greenhouse gas emissions,
- · improve the energy efficiency,
- · increase the production of renewable energy,
- incorporate biodiversity into site management,
- **3.** Empower our employees as actors in sustainable development:
- · develop their professional know-how,
- · continually improve safety and health in the workplace,
- promote diversity;
- 4. Involve all stakeholders in fostering our development:
- engage in active dialogue with stakeholders,

- · act as a key player in local sustainable development,
- provide regular and open 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 12 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 2010" brochure (to be updated during the year by a 2011 version):

http://www.suez-environnement.com/sustainable-development performance-methodology/environmental-indicators/

The Group's sustainable development policy also defined via the "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 Roadmaps" spelling out the Group's objectives at their operational level.

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

Strategy

Steady shareholding

GDF SUEZ's interest in SUEZ ENVIRONNEMENT 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 and environmental fields and the sharing of a number of administrative and support functions. The listing on the stock exchange gives SUEZ ENVIRONNEMENT 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 performance 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 among the leaders in one or both of its business activities in every 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 Offering customers sustainable development solutions that make them leaders in environmental performance

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, 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 in limiting their environmental impact by identifying alternative resources for example;
- offer optimized solutions in energy consumption and, if appropriate, solutions that combine environmental protection with renewable energy production.

To help its customers reconcile quality services with 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 improving environmental management governance, in both its traditional markets and emerging countries, so as to promote the emergence of conditions favorable to the development of Group activities. For example, the "New Ideas for Water" initiative launched by Lyonnaise des Eaux has been successful in developing a participatory model for public-private partnerships. This program based on dialogue with consumers and all water industry players in France is aimed at devising innovative approaches and solutions, driven by the expectations expressed and based on joint analysis of the new deal on water realities.

6.3.1.2 Identifying and using energy and material generation potential 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 materials preservation, which is 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 Making 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 to perfect its technical expertise (treatment of sludge, desalination, reuse of wastewater, environmental compatibility of landfilling).

The Group also seeks to continue developing optimum 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 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. With a budget of €50 million over 10 years (from €0.5 million to €2 million as initial investment per project), Blue Orange acts as an investor and industrial partner for young companies developing innovative technologies.

The fund further fulfills the Group's efforts in the area of research and innovation and will help to discover innovative technologies and convert the results of research into industrial solutions.

6.3.2 Pursuing 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 Consolidating and strengthening 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) to enhance its offering 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, based on its strong positions in Tuscany, the Group seeks, either on its own or through partnerships, to seize the development opportunities offered,. In 2011, the abrogation by referendum of the Ronchi Decree-Law (see Section 6.4.2.1) does not challenge SUEZ ENVIRONNEMENT's existing contracts or its strategy in Italy. The Group has anticipated a very slow shift to privatization, and the needs of Italy's local authorities are very important. Under present conditions, municipalities will still be able to call on private operators under delegation of public service contracts. SUEZ ENVIRONNEMENT will be able to bring its know-how to bear in designing, financing and operating complex water and waste treatment systems, such as those in Tuscany and elsewhere in Italy (Piedmont, Lombardy and Venetia, for instance).

In Germany, the Group signed a sale's agreement of its Eurawasser subsidiary to the Remondis Group.

In Great Britain, the Group, through its Agbar subsidiary, sold out 70% of the regulated activity of Bristol Water, a UK drinking-water distribution company, to Capstone Infrastructure Corporation. SUEZ ENVIRONNEMENT retains a 30% interest in this major regulated

Strategy

activity, which will now be consolidated as an equity associate, and retains a presence in the UK water market by pursuing development in the non-regulated sector, which is a growth driver.

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 intends to consolidate and develop its waste recovery activities.

In France, the Group intends (i) to continue growing and improve profitability in its traditional activities (collection, sorting and treatment) through productivity efforts, by raising operating and innovation standards, and (ii) to proceed with the industrialization of alternative treatment techniques as new recycling activities and methanization, and to strengthen the structuring of its positions in emerging sectors (remediating polluted soils and sites, dismantling end-of-life vehicles and processing 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 Germany, its Sita Deutschland subsidiary has a presence in the western part of the country, particularly in municipal and selective collection. It is also strongly positioned in the incineration activity in the Leipzig region through its Zorbau site. 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 the great Britain, the Group will also pursue its policy of developing complex integrated waste-management projects.

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

6.3.2.2 Developing 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 the maintenance and 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 Water Development (SFWD), a development subsidiary in the water division of 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 and for municipalities, as well as wastewater treatment services for municipalities and industrial parks, particularly in the area of integrated sludge management, focusing on its bases in Macao, Shanghai, Beijing and Chongqing and 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 4 industrial and chemical park locations such as Shanghai's, 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

The Group is active in the Australian water sector through Degrémont (see Section 6.5.4.1), which began building the Melbourne desalination plant in September 2009. This project – which was awarded in July 2009 through the AquaSure Consortium – will meet about one-third of the Melbourne's water needs. In 2011, the project suffered adverse climatic conditions and difficult labor relations. The Group is now wholly committed to completing the site work as quickly as possible (see Sections 9.1.2 and 20.6 of this Reference Document).

In addition, Degrémont, in partnership with Transfield Services, won the water and wastewater management contract to service the 1.1 million residents of Adelaide – Australia's fifth-largest city – and its area, worth a total of €840 million in revenue.

In the waste sector, and despite the economic slowdown, the Group has continued to grow its market share, partly driven by Sita's activities. Its acquisition of WSN Environmental Solutions, a waste services entity owned by the State of New South Wales, has made Sita one of the largest companies in Australia's solid-waste sector.

The Group's strategy, focused on organic growth and targeted acquisitions, has proven to be a great success, outpacing its rivals, which, in comparison, have been standing still. Its key national accounts have grown significantly as its industrial customers continue to refocus on recycling and waste recovery opportunities, activities in which Sita has a competitive advantage due to its portfolio of services. New niche services (electronic and medical waste, and processing of plastic waste) are emerging to supplement Sita's excellent core services in waste collection.

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 potential 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 longterm vision as an operator/manager that places a strong emphasis on sustainable development. For its part, Degrémont intends to pursue 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 its two activities, water and waste:

- · joint research programs (odor treatment, 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 GDF SUEZ Group's energy activities:

• combined project management, such as the recovery of renewable energy from waste, or the seawater desalination (plants that combine energy production, thermal desalination and membrane desalination);

Strategy

- 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 Improving 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 that aims to both promote industrial excellence and control operating costs.

The results obtained in 2008 and 2009 amounted to €190 million. A new plan, COMPASS 2, was launched for the 2010-2012 period with a total initial savings target of €250 million.

In 2010, COMPASS 2 savings amounted to €120 million, including €20 million in procurement, €63 million in operating gains, €34 million in SG&A expenses and €3 million in health, safety and risk management.

In 2011, COMPASS 2 produced an additional €130 million in savings, including €28 million in procurement, €70 million in operating gains, and €32 million in SG&A. Total savings in 2010-2011 amounted to €250 million.

Commitment to new performance initiatives in 2010 and 2011 generated improved results within all subsidiaries, particularly at Agbar, Lyonnaise des Eaux, Sita NEWS, Sita UK and Sita Australia. These actions will continue in 2012 and new ones will be launched, particularly involving procurement, industrial processes and SG&A.

The plan's success so far led the Board to increase the initial 2010-2012 target from €250 million to €300 million in early 2011 and then to €360 million.

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

• regarding purchases, COMPASS directly addresses €2.1 billion in purchase volumes in 2011 on a total base of €5 billion. Part 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 European level and 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 procurement teams in France. Standardized specifications between countries facilitate negotiation at international level for equipment such as containers, tires, chassis and dumpsters in 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 improvement in overall costs.
- on operating gains, with improved focus on less-profitable commercial contracts (United Water, Degrémont, Lyonnaise des Eaux, Agbar, Australia, Sita France, Sita NEWS, etc..); the reduction of leaks in water networks and losses in power grids (Lydec, Lyonnaise des Eaux, Palyja, CEM in Macao, 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 paperless system, the increased use of professional techniques in operations scheduling and 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 the incinerator at the border between Germany and the Netherlands, and new waste flows between the United Kingdom and the Netherlands, etc...), the optimization of collection costs (use of alternative fuels, maintenance of vehicles, 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 practices. Finally, the Group has strongly emphasized reducing 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 took on added importance in 2011 as part of the rationalization of organizational structures and operating processes, involving managerial integration in France, in particular within Sita with its FORCE 8 program and Lyonnaise des Eaux with the increasing presence of regional entities. As a result of the restructuring, completed in November 2010, the headquarters of the main French entities (SUEZ ENVIRONNEMENT, Sita France, Lyonnaise des Eaux, Degrémont and OIS) were moved to a single site at La Défense (Paris area), creating major synergies whose first

results will be apparent through the NEXT project (New Excellence Together), which is aimed at improving operational procedures and the efficiency of support functions within the Parent Company, BUs and subsidiaries.

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 recruitment diversity, 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 to adapt skills to new needs through a dynamic training policy. The Group intends to promote long-term relationships with its employees and to boost their commitment.

Finally, the Group's strategic planning also includes a chapter on long-term human resources challenges so as to ensure that the set objectives are consistent with projected activity growth.

6.3.4 Outlook

In 2011, SUEZ ENVIRONNEMENT posted strong performance despite the difficulties encountered at the Melbourne desalination plant construction site.

Under lackluster economic conditions, the Group set the goals of protecting its profitability and maintaining a solid balance sheet and a sound level of cash flow as its priorities for 2012 and 2013.

· Operating targets:

- 2012 revenue greater than, or equal to, that of 2011at constant exchange rates;
- 2012 EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) greater than, or equal to, that of 2011at constant exchange rates;
- 2012 free cash flow greater than, or equal to, that of 2011;
- 2013 EBITDA greater than, or equal to €2.7 billion at constant exchange rates.

· Solid balance sheet:

- Net Financial Debt / EBITDA ratio maintained at around 3 times;
- selectivity on investments, with net investment of €1.3 billion in 2012 and 2013.

· Dividend policy:

- payment in 2012 of a €0.65 per share dividend for 2011⁽¹⁾;
- proposed 2012 dividend greater than, or equal to €0.65 per share;
- · long-term payout objective in excess of 60%.

This outlook is based on data, assumptions and estimates that 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 here in Section 6.3.4.

These objectives and this outlook 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 that will be submitted to the Shareholders' Meeting to be held on May 24, 2012.

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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 2009; source: *IFEN*, 2011), as well as (ii) air protection, anti-noise measures, biodiversity protection and management of radioactive nuclear waste (which together represented some 20% of total environmental expenses in France in 2009; source: *IFEN*, 2011).

Increased demand for high levels of environmental protection has resulted in an increasingly strict, dedicated regulatory framework. This entails 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 regarding 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 that 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 2009, the average annual rate of growth in expenditure linked to environmental protection was therefore 4.8%, compared to 3.2% for gross domestic product during the same period (source: *IFEN*, 2011).

(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 due to 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, including:

- world demographic growth (average annual growth of 1% by 2020 source: United Nations, 2011);
- 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*, 2011);
- world economic growth estimated at an average of close to 5.6% per year over the 2012-2016 period (source: FMI, Sept. 2011);
- increased 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 population for better hygiene, quality of life and health, and changes in consumption linked to improved living standards;

⁽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, at present a unit of the Service de l'Observation et des Statistiques - Monitoring and Statistics Service). At the time of writing, data and studies more recent than 2009 are not available for all countries in which the Group operates, to the latter's knowledge.

- · very significant 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 advanced wastewater treatment systems; source: United Nations, 2011);

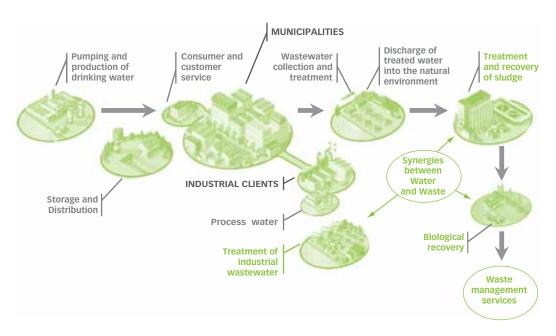
· stricter and more rigorously applied environmental regulations;

· 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 that it is possible to expect higher long-term growth in 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 (2011 estimate). All 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 regard 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 by over 1% per year on average for the last 15 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 services sector relating to water is US\$107 billion (source: GWI study, 2011). It offers major opportunities for consolidation, because of the very high number of small local players as well as strong needs in terms of infrastructure replacement (US\$500 billion in 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

Presentation of the market and competitive position

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 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. Four years from the deadline set 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's population served by the private sector totaled 13% in 2010 – source: Pinsent Masons Water Yearbook 2011-2012) should grow significantly in the long term, particularly in the form of public-private partnerships, especially 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 European standards;
- pressure on public expenditures, greater demand from consumers for efficient public services and the activity's increased technical levels 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 estimation); the Group believes that use of the private sector will rise in the coming years;
- in the United States, the Group believes that the private sector is responsible for managing 8% of 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 are only allocating a portion of their wealth to waste management after meeting their other, higher-priority needs (particularly access to drinking water);
- · identification and application of environmental regulations;
- · the guarantee of a certain level of contractual stability;
- public awareness of 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 mainly corresponds 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), biological recovery (composting and methanization) and energy recovery (energy from waste plant, alternative fuels from waste)...

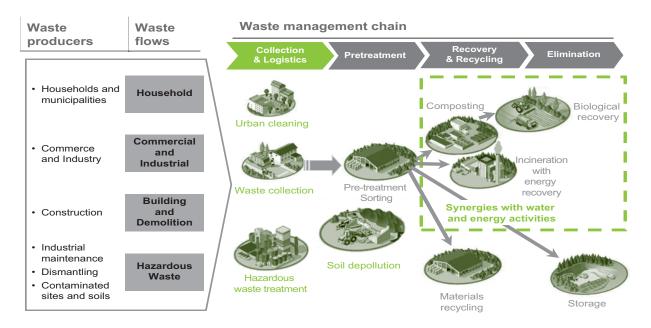
⁽¹⁾ Namely, Germany, Austria, Belgium, Denmark, Spain, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, the United Kingdom and Sweden.

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

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

Presentation of the market and competitive position

(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 nuclides 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).

Household and municipal solid waste

The production of household and municipal solid waste totaled nearly 220 million metric tons in 2008 in the 27 European Union Member States (source: Eurostat, 2008 data), with over 80% of this waste generated by the original European Union Member States.

The volumes of household and municipal solid waste produced grew steadily in Europe between 1995 and 2008, with average annual growth of 1% (source: Eurostat, 2008 data(2)), but the trend seems to have shifted since 2000, notably with a slowdown in the increase in the "original" members 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 and 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 country's level of development and its environmental culture: the higher the level of development and the greater the awareness of 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.

⁽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 European level, and even more so at 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 volume analysis.

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

Presentation of the market and competitive position

The Group believes that the volume of household and municipal solid waste in Europe should increase by an average of 1% 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), with 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 began 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 by 2.5% on average 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 those that vary the most significantly from one country to another. Moreover, only a small portion 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 hazardous waste types. Changes in the characteristics of the waste or of the classification may lead to a change in the scope of this source.

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 toward 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/pretreatment);
- 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...); 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 products 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; but 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 rainwater, 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 investment.

(d) Regulatory framework

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

The breakdown among the various waste treatment methods used differs 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.

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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 and 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 European Union Member States 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.

Competition 6.4.2

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

- · public operators that 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 that are already well established in their domestic markets and may seek to expand their activities or services and use their expertise in areas that show strong potential;
- · local operators that are adopting aggressive strategies when participating in bidding processes;

- · financial players (private equity and infrastructure funds) that are investing in markets through asset and company acquisitions;
- · companies involved in related industrial sectors that are seeking to expand their offerings to include 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), and, by positioning themselves in "BOT" (Build, Operate, and Transfer) contract segments, allowing them to use their building expertise and supplement it by providing management services and by operating the facilities that they have built.

⁽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 plants and composting sites.

Presentation of the market and competitive position

Most of these players, however, are not active in as broad a range of segments as the Group is in terms of services, technical skills and 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 that it holds leading positions across all its businesses lines.

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

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 revenue, 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 the domestic and regional levels, 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 but also other operators in the waste sector (Pizzorno, Derichebourg and Remondis), are seeking to extend their market position.

In Spain, the Group remains the leader in terms of revenue and the size of the population it serves. OHL sold its environmental subsidiary Inima to the South Korean company GS Engineering & Construction for €231 million. Inima has contracts to build and operate drinking water production, wastewater treatment and desalination plants in Spain, Chile, Brazil, the United States and Mexico, serving more than 2 million people.

Acciona, one of Agbar's competitors, has been especially active in Spain with the renewal of the comprehensive management contract for the city of Caceres (population 95,000); internationally, the company has won DBO contracts mainly in Australia, Chile and Peru.

In Germany, competitors include major energy groups like E.On, RWE and EnBw, and major players in environmental services as Veolia Environnement or, 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 – including *Stadtwerke* – are among the first to participate in bid tenders for the delegation of service contracts organized by other municipalities in the same region. Germany's decision to exit from the nuclear energy has profoundly disrupted the major energy groups, some of which need to sell water assets in particular.

In Italy, the referendum held in June 2011 resulted in the abrogation of the Ronchi Decree-Law, which had made it mandatory for the private sector to be included in water and waste services management. This abrogation does not call into question Ondeo Italia's existing operations in Tuscany or private-sector participation in water and wastewater services management. The public-private model still shows its full potential in Italy, particularly given its performance in Tuscany, and the investment needs in this sector, estimated at €65 billion over the next 30 years.

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

In the United States, American Water Works is the market leader: however, it only operates at 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 reorganization of the American leader's management structure. A new executive officer was appointed as part of this reorganization, and the company now seems to reduce its operation and maintenance activities. Through United Water, SUEZ ENVIRONNEMENT's main competitors are Aqua America (in addition to its tuck-in policy in the regulated market) and Veolia Environnement (focused on the non-regulated market for service contracts). As in 2010, some financial backers continue to show interest in large-scale water sector operators even though no significant transactions have been observed since the 2010 acquisition of Southwest Water by JP Morgan and Water Asset Management.

Presentation of the market and competitive position

In addition, the emergence of credible local players in drinking water and wastewater treatment facilities should also be noted, particularly in Asia, with Singapore's Hyflux, the Philippines' Manila Water and China's Beijing Capital and Beijing Enterprises Water. Certain Japanese companies, such as Sumitomo, Mitsubishi and Mitsui, have also shown a growing interest in the Asia-Pacific region's water sector, and have invested massively in recent years (as Mitsubishi in Australia) or have entered into joint ventures with local companies (in China or India) to penetrate such markets or boost their presence.

6.4.2.2 Competition in the waste sector

The Group ranks third in terms of revenue in the global market for waste-related environmental services, behind Waste Management and Veolia Environnement. 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, Van Gansewinkel Group and Urbaser. Over the past three years, Germany's Remondis has become the waste industry leader there. It ranks third in Europe in terms of revenue, but it is still focused on Germany plus Central and Eastern Europe. From ThyssenKrupp, Remondis acquired Xervon, which is an infrastructure management company specializing in services for the chemical and oil industry and in shipbuilding with 9,000 employees and revenues of €670 million.

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), Remondis (with TSR) and Alba-Interseroh can be compared with a trend for smaller acquisitions, mainly in the recycling sector in Northern Europe.

In 2009 Veolia Environnement rationalized its activity 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, while the Van Gansewinkel Group bought out Veolia Environnement's activities in Belgium.

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 of reducing volumes sent to landfill sites. The major competitors, especially Viridor, continue their acquisitions and express their intention to expand in the waste treatment market. In addition to this market consolidation, new entrants from sectors other than waste, such as property and infrastructure management, transportation and public utilities, are beginning to strengthen their positions in the market. The United Kingdom is also seeing new European entrants that are seeking to develop their operations portfolios.

The UK market is driven by "zero waste" strategies, with a real desire to extract value from materials all along the value chain. The industrial and commercial waste market has seen a significant decline in tonnages, and a certain number of market-oriented initiatives and materials have been launched.

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

In Australia, where private operators manage virtually the entire market, the sector is expected to undergo further consolidation in 2012.

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, CECEP and Tianjin Capital are active in these markets, some of them in partnership with international waste management groups.

Description of the Group's main activities



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, including delegated management of drinking water and wastewater treatment services, water treatment engineering, and waste collection, recovery and disposal activities for both public authorities and private sector customers.

In 2011, the Group earned total revenues of €14.8 billion. The various activities break down as follows:

- Water Europe, which represented 28% of the Group's consolidated revenues in 2011, i.e., €4.2 billion;
- Waste Europe, which represented 44% of the Group's consolidated revenues in 2011, i.e., €6.4 billion;
- International (Degrémont and activities outside Western Europe), which represented 28% of the Group's consolidated revenues in 2011, i.e., €4.2 billion.

In the water sector worldwide in 2011:

- the Group provided approximately 91 million people with drinking water, operated more than 1,200 drinking water production sites and produced some 4.5 billion m³ of drinking water;
- the Group provided wastewater treatment services to approximately 63 million people, operated some 2,300 wastewater treatment plants and biologically treated approximately 3.2 billion m³ in wastewater

In the waste sector worldwide:

- as of December 31, 2011, the Group provided collection services for approximately 57 million people;
- it also used a fleet of approximately 12,100 trucks and operated 120 composting platforms, 47 incineration sites (44 of which have energy recovery capacity), 645 sorting and transfer stations and 130 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), including:

- Studies and master plans, modelling 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 Degrémont subsidiary (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 services (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 from end consumers.
 - for private sector customers, defining, building and operating tailored and scalable water management solutions and selling

high-end water treatment equipment. The Group's private sector customer offering 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, in the following five areas:

Water pumping and treatment;

Pumping operations extract water from rivers, water tables and reservoirs to be piped into treatment plants. Treatment depends upon the quality of the raw water, and may involve numerous stages, including pretreatment (screening), clarification, filtration (elimination of finer particles), refining (elimination of micropollutants) and disinfection (elimination of viruses and bacteria).

Storage and distribution;

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

Customer service;

Specialized units are responsible for managing consumer relations, taking into account the local situation, involving contract signings, meter reading, invoicing and cash collection and accounts monitoring.

Description of the Group's main activities

Wastewater collection and treatment;

Sewage networks are an essential factor in combating domestic pollution, and must pipe all wastewater to wastewater treatment plants. Wastewater treatment requires a set of complex physical and biological procedures. Sewage networks are also used to collect and drain rainwater, via 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 via agriculture through spreading, conversion to compost or recovery as energy.

The Group has recently offered its clients new, dedicated environmental services (audits and assistance in reducing the environmental footprint of water services in a given territory, quantitative management of resources to counter the impact of climate change and services to improve the water quality of rivers, lakes and swimming areas), and also offers a new range of services for local authorities, businesses and residents to control water consumption (leak alerts, remote meter-reading, leak insurance and assistance).

(b) Contractual relations with customers in the water sector

The Group's customers are local authorities and industry (mainly through its Ondeo Industrial Solutions subsidiary). However, the Group also serves local industrial and commercial customers under delegation of public service contracts.

(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 with public authorities are governed by the rules for public contracts and/or specific competitive procedures.

The Group distinguishes between two contract types:

- delegation of public service contracts in France, or their equivalent outside France, including leasing and concession contracts, and all intermediate contractual forms; under such contracts, the Group is responsible for the entire 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 from end users. The Group engages in this activity at its own risk, and its compensation derives from billing users; a portion of the sums billed is paid back to the local authorities to finance new investments. Leasing contracts are distinguished from concession contracts according to 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 are generally long-term, of 10-20 years; and
- contracts for services and works, in which case operations and works are billed to the relevant local authority. This involves medium- to long-term contracts, generally of 5-20 years.

Usually, public authorities own the assets involved in drinking water and wastewater treatment services. However, in certain countries (notably the United Kingdom and United States), the Group owns the assets it operates; in such cases, 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 latter. 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), supply contracts for mobile processing installations and/or equipment sale agreements. Contracts are then generally agreed upon for shorter terms than is typical for local authority contracts, most often 1-5 years for a service contract.

Description of the Group's main activities

6.5.1.2 Waste activities

(a) Complete management of the waste cycle

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

- collection of non-hazardous waste from municipalities and companies, sorting, pretreatment, material recycling and recovery, biological recovery (which mainly involves agricultural recovery and the remediation of poor soil), energy recovery (incineration, co-incineration and methanization) and landfilling, including the recovery of biogas;
- hazardous waste management (excluding waste that may be contaminated by radionuclides from nuclear activities);
- urban wastewater treatment and cleaning, including maintenance of municipal and industrial networks and participation in the cleaning of industrial production tools, street washing/sweeping and maintenance of urban fixtures, beach cleaning and snow removal;
- soil remediation, including treatment of polluted sites, soil, subsoil, and water tables, and dismantling and reconversion of buildings;
- dismantling and disassembly of end-of-life vehicles, aircraft and boats.

The Group offers services in the following areas:

Non-hazardous waste (collection, sorting, recovery and elimination)

In the non-hazardous 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, including 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, including mixed waste collection, selective collection, bulk items, medical waste and industrial waste, in both urban and rural environments. Waste from selective collection (plastic, glass, metal, paper etc.) is sent to sorting sites to be prepared for recycling, while residual waste is sent either to transfer/sorting/pretreatment

platforms or directly to incineration plants and landfills. Certain waste products that may be highly polluting (batteries, aerosol cans etc.). are sent to specialized sites for cleaning and packaging before treatment or recovery.

MATERIALS RECOVERY

Household and industrial waste from selective collection is sent to one of the 366 sorting sites operated by the Group. It is then sorted by type (plastic, glass, paper, cardboard, metal), packaged and consolidated by the recovery division at appropriate platforms. Recoverable materials are then sent to appropriate processing areas, and sorted (non-recyclable) waste is recovered, whenever possible, for use in energy production via incineration, and if this is not possible, it is landfilled.

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

In 2011, the Group managed nearly 23 million metric tons of waste for recycling purposes. Of this total, some 16 million metric tons were treated for materials recovery, which made it possible to put 11.3 million metric tons of secondary raw materials (paper, cardboard, glass, metal, plastic, wood) back on 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), airplanes and end-of-life vehicles (ELV), primarily via Re-source Industries, a subsidiary of INDRA (an automobile dismantling company owned 50:50 by Sita and Renault).

In 2007, the Group opened its first European centre for the dismantling and recovery of ELVs, and in 2009 a new centre 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 involves converting organic waste into soil conditioner. Four types of waste are involved: (i) green waste from households and public entities, as well as byproducts of the wood industry (bark, sawdust etc.); (ii) the organic portion of household, restaurant and supermarket waste; (iii) sludge from wastewater treatment plants; and (iv) sludge and byproducts from paper and agri-food producers.

Description of the Group's main activities

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

Sludge management is at the core of the Group's know-how, and 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, is rapid and hygienic and 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 production: (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 Group-operated incineration plants, waste is burnt at high temperatures in accordance with regulatory requirements. Heat released via combustion is recovered in steam boilers, and this steam allows for electricity production in addition to supplying heating networks.

In 2011, the Group's incineration units treated approximately 6.4 million metric tons of waste and produced over 2,600 GWh of electricity, resulting in the sale of more than 1,600 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 purification residue from smoke, which is landfilled 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 production through methanization. This process, involving the decomposition of natural organic matter through microorganisms and in the absence of oxygen, has long been known of, but its use on an industrial scale is more recent. Methanization produces a biogas that may be recovered for electrical and or thermal energy, plus a residue that may be recovered for use as an organic soil conditioner after composting.

Another method used for recovering energy is the production of refuse-derived fuel (RDF) from non-hazardous industrial waste

and, to a lesser extent, household waste. Mainly used by cement manufacturers, this fuel presents a real opportunity for developing solutions that complement the recycling and disposal sectors. The waste that goes into these RDFs is not easily recyclable under existing technical and economic conditions, so RDFs represent an excellent alternative fuel for cement and lime kilns as well as the heat- and steam-generating units of industries that consume high levels of energy (chemical producers, paper mills etc.) and are equipped with adequate smoke treatment systems.

LANDFILLING

Landfilling remains the predominant treatment method in many countries. Upstream, the search for a site must conform with 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) collected, recovered and treated and environmental parameters measured very regularly. Once closed, such sites remain subject to monitoring for 30 years.

The Group operates 130 landfills around the world, particularly in Europe. In the course of these activities, the Group develops and operates innovative industrial solutions for the recovery 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, and then sent to the most appropriate site.

There are several treatment options for such waste, including:

- recovery as a fuel substitute, particularly for 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, chemical and 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 (in particular, this is the case for oils and certain solvents).

Description of the Group's main activities

Sita is an international player in the hazardous waste market, and the Group has treatment facilities in France, Europe and also China.

The Group may thus offer its customers solutions suitable for all types of hazardous waste (except waste potentially contaminated with radionuclides from nuclear sites), for example, for packaging ranging from 100 grams (in particular special household or laboratory waste) to hundreds of metric tons. In 2011, the Group treated 3.5 million metric tons of hazardous waste, including 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, industrial cleaning services (particularly during plant shutdowns) and collection of hazardous industrial waste, as well as more specific services such as the cleaning of water towers, oil-related work and control of wastewater treatment networks in nuclear plants.

Urban cleaning is of concern for local authorities and a health requirement. In this regard, the Group offers the following services in particular: 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) Pollution clean-up and conversion of polluted industrial sites

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

- in-situ treatment for subterranean clean-up operations involving water tables or soils, without excavation;
- on-site treatment, whereby the soil is extracted but treated on-site;

 off-site treatment, when the soil must not only be extracted, but also sent to special sites where it undergoes biological, thermal or physicochemical treatment and/or landfill.

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

To illustrate, following on from its clean-up and restoration of the former Metaleurop Nord foundry site in France, the Group is now providing for the clean-up and restoration of The Avenue, an industrial complex in Chesterfield, United Kingdom, through Sita Spécialités. 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 in Europe involving the clean-up of derelict industrial land. All clean-up stages began in September 2009 and will be spread out over five 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 with two types of customers:

- local authorities (municipalities or others): contracts entered into with local authorities are generally medium- or long-term (generally of 3 to 7 years' duration for collection and up to 20 or even 30 years for treatment), and involve locally-regulated activities in which public utilities are major players; and
- industrial operators: 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 all their waste services management to subcontractors.

The Group offers energy produced during waste treatment plus 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 represents the core of the Group's water sector activities. Companies operating in the Group's Water Europe segment contributed €4.2 billion to the Group's consolidated revenues in 2011. In 2011, Lyonnaise des Eaux⁽¹⁾ generated 54% of consolidated revenues for the Water Europe division, with

the rest mainly generated by Sociedad General de Aguas de Barcelona (Agbar).

In Europe, the Group supplies about 31 million people with drinking water and provides wastewater services to approximately 27 million.

⁽¹⁾ Including activities involving France, Italy, Germany and Safege.

Description of the Group's main activities

6.5.2.1 Lyonnaise des Eaux

Lyonnaise des Eaux comprises the activities of Lyonnaise des Eaux France, the Group's water activities in Italy and Germany and the activities of Safege.

In 2011, the Lyonnaise des Eaux business unit generated consolidated revenues of €2.3 billion and employed some 14,400 people.

(a) Lyonnaise des Eaux France

Specific characteristics of the water sector in France

The Group estimates the amounts billed in France for water and wastewater treatment services from all providers (public and private) to be some €12.3 billion; private operators are estimated to represent 40% of this total, while the rest involves 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).

(ii) Description of Lyonnaise des Eaux France's activities

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

In 2011, LDEF's contribution to the Group's consolidated revenues was some €2.1 billion (46% for drinking water production and distribution services, 26% for wastewater treatment services, 16% for other services -for example, metering- and 12% for work on distribution facilities and networks). Combined with all of its subsidiaries, it employed more than 11,920 people as of December 31, 2011.

The Group estimates that LDEF supplies close to 12 million people with drinking water, i.e., approximately 19% of the French population. In 2011, LDEF operated over 640 drinking water production sites and delivered to the network over 1 billion m³ of drinking water.

The Group estimates that LDEF provides wastewater services to some 20% of the French population connected to a sewage network. In 2011, LDEF operated more than 1,500 treatment plants, which treated nearly 750 million m³ of wastewater.

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

(iii) Lyonnaise des Eaux France contracts

The LDEF contract portfolio included some 2,500 contracts as of December 31, 2011.

The term of these contracts for both water production and distribution services and wastewater collection and treatment services is generally 10-20 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 6.7.1.1), LDEF is subject to competition with regard to the awarding and renewal of these contracts. Under current regulations, if a lease or concession is not renewed, the outgoing assignee receives no compensation. Moreover, upon expiry of the contract, all plant belonging to the delegating authorities must be left in good operating condition.

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

In 2011, LDEF had various commercial successes, including:

New contracts won

- · in partnership with Degrémont, a six-year service contract to manage the Baumette water purification plant at Angers, worth approximately €20 million in cumulated revenue. The plant treats domestic and industrial wastewater from a population equivalent of 285,000. To operate this plant, Lyonnaise des Eaux and Degrémont will form a new, dedicated company, Valomaine, to more closely involve all stakeholders in water management;
- a delegation of public service contract (DPS) with the city of Hyères, and a drinking water management contract with the city and IIe de Porquerolles. This contract involves more than 60,000 residents and is worth €70 million in revenue over 12 years.

Description of the Group's main activities

Renewals

- renewal of a public service management contract for the production and distribution of drinking water for the city of Orléans. In a highly competitive environment, Lyonnaise des Eaux stood out with an offer that was in many respects innovative in terms of water conservation (wetland arrangements, continuation of a tripartite agreement with the Chamber of Agriculture etc.) and curbing greenhouse gases (a flagship photovoltaic panel project, power production involving green energy in large part etc.). Every year, 1,000 lead water lines will be replaced (over eight years), 4 kilometers of pipelines will be renewed and 20,000 smart meters will be deployed (over two years). This 12-year contract takes effect on January 1, 2012 and represents a total of €110 million in revenue. Lyonnaise des Eaux will create a new, dedicated general partnership company, Orléanaise des Eaux, to provide the service;
- the contract to provide water management services in the north-western sector of Greater Rouen (CREA - Communauté d'agglomération de Rouen) through its water subsidiary in Normandy (switching from a delegation of public service contract to a service provision contract). The company will provide water production, distribution and billing services for a period of six years. This service contract covers 35,000 subscribers in the northwestern sector of Greater Rouen;
- water and wastewater treatment contracts with the city of Agde, worth €166 million in revenue over 15 years. In these contracts, Lyonnaise des Eaux is implementing solutions aimed at improving the economic and environmental performance of the entire water management system, increasing the capacity of wastewater treatment plant, renewing 15 kilometers of drinking water pipelines and 2,500 service lines, and deploying advanced technologies to protect water resources and guarantee swimming-water quality.

Lastly, in May 2011, Lyonnaise des Eaux and TERRENA, the leading French agricultural cooperative, agreed upon the basis of a partnership aimed at creating the first company exclusively dedicated to farmers' water and environmental needs and problems. Based in Ancenis in the Loire-Atlantique region, the new company is owned 51%-49% by Lyonnaise des Eaux and TERRENA respectively. Relying on technical support from Lyonnaise des Eaux and Terrena's understanding of local challenges, the company is developing four types of service:

- · water management for the agri-food industry;
- services to local and regional authorities;
- help in smart water management for agriculture;
- · recycling and recovery of organic matter.

(b) Other Lyonnaise des Eaux activities

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 (Arezzo, Florence, Pisa, Sienna and Montecatini Terme).

The Group also holds 6.72%⁽¹⁾ of Acea, a company listed on the Milan stock exchange that is active in integrated water management, energy generation and distribution, public lighting and natural gas distribution. Based in Rome, Acea is the main water and wastewater treatment operator in Italy.

(ii) In Germany

In December 2011, SUEZ ENVIRONNEMENT signed an agreement to sell its German subsidiary Eurawasser, a specialist in drinking water distribution and wastewater treatment, to the Remondis Group. This transaction, which was completed in the first quarter of 2012, is worth €95 million, which is 14.6 times net earnings for 2010.

Eurawasser operates water and wastewater concession contracts, management and maintenance contracts, and has interests in public-private corporations. The company operates in several German cities, including Rostock (population 255,000), Cottbus (population 140,000) and Gustrow-Butzow Sternberg (population 90,000), provides services to over 800,000 people and brought in €73 million in revenue in 2011.

(iii) In Greece

The Group is present in Greece through a 5.46% holding in Eyath, a company listed on the Athens stock exchange and which manages Thessalonica's water services.

(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 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 infrastructure at all levels of a project, including assistance with project management, general contracting, technical support, training and audits

(1) As of December 31, 2011.

Description of the Group's main activities

Safege employs some 900 staff and operates on a regular basis in over 100 countries.

In 2011, Safege won a number of contracts in France and internationally, reinforcing its positioning as a multidisciplinary engineering firm focused on urban sustainability:

- · Voies Navigables de France awarded Safege the contract to project manage the reconstruction of the Meaux sur la Marne dam, the challenge being to resolve the safety, environmental and landscapeintegration issues involved in this urban construction project;
- partnering with Sita IIe de France and ROS ROCA, Safege won the contract to project manage the city of Vitry-sur-Seine's pneumatic waste collection system, which will eventually serve four districts and 30,000 inhabitants of the community;
- · Safege has won two major urban mobility contracts, to project manage the extension of Marseille old town's No. 2 tram and to project manage lines 1 and 2 in the city of Avignon;
- faced with local authorities' new urban services organization goals, Safege has won the tender for the SYRACUSE project (launched by the French National Research Agency), which is aimed at analyzing socioeconomic and technical options for optimizing the management of water, waste and energy flows at various regional management levels;
- · in Romania, three major contracts to design and supervise water and wastewater infrastructures in a number of regions have given Safege's local subsidiary a decisive boost;
- · finally, in the Middle East, sustained commercial activity was rewarded with significant successes in Saudi Arabia, Lebanon and Oman, where Safege secured its future by winning a contract to supervise the construction of a dam.

6.5.2.2 Agbar

On June 8, 2010, the Group, along with Criteria CaixaCorp (Criteria), completed the Agbar acquisition, which was initiated in October 2009. SUEZ ENVIRONNEMENT owns 75.35% of this fully consolidated subsidiary.

In 2011, Agbar's contribution to the Group's consolidated revenues was €1.9 billion. With approximately 9,550 employees around the world, Agbar earned 67% of its revenues in Spain and 33% in the rest of the world.

(a) Agbar's activities in Spain

Specific aspects of Spain's water sector

The Group estimates that the water sector in Spain represents some €8.5 billion, and that private operators represent approximately 50% of the drinking water production and distribution sector and two-thirds of the wastewater treatment sector (source: GWI 2011).

(ii) Description of Agbar's activities

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

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

In Spain, Agbar supplies drinking water to some 13 million people. The largest desalination plant in Europe (with capacity of 200,000 m³/ 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 consortium comprising Agbar, Degrémont, Dragados and Drace.

Agbar also provides wastewater treatment services to over 9 million people.

In 2010, Agbar had a number of commercial successes in Spain, including water supply and wastewater contracts for Marbella and wastewater treatment contracts for the city of León and the surrounding area.

(iii) Other Agbar Group activities

In 2011, Agbar launched Aqualogy, a new brand that consolidates the Group's know-how to offer value-added solutions tailored to the needs of its customers and new markets. Aqualogy focuses on improving performance and using advanced technology to promote innovation by addressing three fields: environmental and operating technologies, management solutions and knowledge-transfer technology.

(b) Agbar's development outside Spain

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

Outside Spain, Agbar also has a presence:

(i) In South America

In Chile in particular, Agbar operates through its subsidiary Aguas Andinas (production and distribution of drinking water for more than 6 million inhabitants as well as wastewater treatment for approximately 6 million inhabitants), via Essal (the No. 4 water distribution company in Chile), in which Agbar acquired a 53.5% interest in 2008, and through a contract to build the third purification plant in Santiago deChile, with a capacity of 2.2 m³/s, which was awarded to Agbar and Degrémont.

Description of the Group's main activities

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

Agbar operates through Bristol Water (acquired in 2006), serving approximately 1 million people. In 2010, Agbar also took over Marral, a company supplying water services to industrial customers, within the context of its strategy of diversifying toward the unregulated market.

In October 2011, Agbar sold 70% of Bristol Water's capital to Capstone Infrastructure Corporation. This transaction was an integral part of Agbar's strategy of refocusing on high-value-added water services. Agbar will retain a 30% equity interest in Bristol Water and remains a major active shareholder via a management and operating contract.

In 2011, Aqualogy UK released Ice Pigging onto the market, an innovative, patented technology that allows water pipes to be cleaned from the inside using ice slurry. Aqualogy UK has signed contracts in Japan, Australia and the Netherlands.

(iii) In China

In November 2007, Agbar created a joint venture in China with Golden State Water Group Corporation (a Chinese engineering, building and environmental services provider) to acquire Jiangsu Water, which

supplies services to approximately 2 million people in the Jiangsu Province. In 2011, Agbar and Sino French Water Development (SFWD) signed an agreement to transfer the equity of Jiangsu Water, and then SFWD and Golden State (GS) signed an agreement under which each would own 50% of Jiangsu Water.

(iv) In Algeria

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

(v) In the United States

In 2011, Agbar entered the U.S. market by signing a management agreement with Utility Service Group (USG), a SUEZ ENVIRONNEMENT subsidiary based in Georgia. USG specializes in drinking water reservoir maintenance, and is Aqualogy's growth platform in the American market, offering value-added solutions and technologies tailored to its customers' needs.

(c) The Group's other activities 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 waste sector activities. Companies operating in the Group's Waste Europe segment contributed €6.4 billion to the Group's consolidated revenues in 2011. The Waste Europe segment mainly operates through Sita France and its specialized subsidiaries Sita Belgium, Sita Deutschland, Sita Nederland and Sita UK, plus 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 Scandinavian countries and 25% in Germany and Benelux.

In Europe in 2011, the Group's collection activities served nearly 45 million people and nearly 335,000 industrial and commercial customers. The Group collected nearly 20 million metric tons and processed more than 34 million metric 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 France's waste sector

The French waste sector represents €12.6 billion (source: *IFEN, 2011*⁽¹⁾). Of more than 340 million metric tons of waste in total, 73% comes from building and demolition activities and 15% from commercial and industrial activities, while 9% is generated by municipalities and households and 3% involves hazardous waste. Regarding household and similar waste, 35% is landfilled, 32% is subject to thermal treatment and 33% is recovered or subjected to biological treatment (source: *Eurostat, 2008 data*). The Group believes that the recycled portion will grow in the future.

⁽¹⁾ Estimated current total national expenditure on waste management.

Description of the Group's main activities

(b) Description of Sita France's activities

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

Sita has been active in France's waste sector since its incorporation in 1919. The Group has substantial storage capacity, a diversified portfolio of contracts, special expertise in recovery and treatment (sorting, recycling, landfill, incineration and methanization), solid geographic network coverage and the 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 its SCORI subsidiary, has a 30-year experience in preparing fuel from hazardous waste (solid and liquid) for cement kilns.

In 2011, Sita France's contribution to the Group's consolidated revenues totalled €3.6 billion. As of December 31, 2011, Sita France employed more than 20,000 people.

In 2011, Sita France provided waste collection services to more than 17 million inhabitants and some 51,000 commercial and industrial customers. The company treated over 19 million metric tons of waste (including the activities of Teris and Boone Comenor abroad, which amount to just over 1 million metric tons). As of December 31, 2011, Sita France operated 84 composting platforms, 38 incineration sites (36 of which have energy recovery capacity), and 301 sorting and transfer stations.

In 2011, the Group treated nearly 1.7 million metric tons of ferrous and non-ferrous metals, and expanded its range of services to industrials customers in France and abroad.

In June 2009, the Group increased its visibility in plastics recycling via France Plastiques Recyclage (FPR) by opening the first PET bottle recycling plant in France. FPR was created in 2008 and is co-owned by Sita France and the PAPREC Group. This plant will recycle 40,000 metric tons of bottles per year, converting them into granules that can be used immediately to manufacture food-grade bottles and packaging.

Sita France has also strengthened its presence in the waste treatment sector for electrical and electronic equipment (WEEE) through the September 2010 launch of a new plant to treat WEEE products in Feyzin, near Lyon, that is capable of recycling 25,000 metric tons of waste each year. This is the first plant able to treat all kinds of WEEE products, to which the Axelera "Chemistry and Environment" Center of Excellence gave its seal of approval since it employs an innovative process to extract and separate any plastic materials integrated into the waste.

It should be noted that Sita France's main commercial successes include:

- the July 2010 awarding of a contract to operate the lvry household waste incineration plant. This unit, one of the biggest in Europe, handles the household waste of 15 towns in the Paris region plus 12 districts within Paris, representing more than 1.2 million people;
- the awarding of a delegated contract to manage the waste at seven Renault sites. This global offering mobilizes a number of Sita France's skills, including the collection and treatment of industrial and hazardous waste.

The Group believes that Sita France is the second-largest private operator in France.

6.5.3.2 Sita UK and Scandinavia

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

In 2011, the contribution of Sita UK and Scandinavia to the Group's consolidated revenues was €1.2 billion, and the business unit employed more than 7,200 people as of December 31, 2011.

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

(i) United Kingdom

Of a total of some 250 million metric tons of waste, 40% comes from building and demolition activities and 44% from commercial and industrial activities, plus 13% generated by municipalities and households and 3% involving hazardous waste; 55% of household 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 that the proportion of waste landfilled should currently be less significant, particularly under the effect of such measures as taxes on volumes landfilled and penalties for exceeding authorized quotas.

In 2010, the coalition government confirmed that the tax on landfilled waste will increase by £8 per year until 2014 (at which point it will be £80 per metric ton), which further increases the viability of such alternative waste treatment options 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

Description of the Group's main activities

activities and 71% from commercial and industrial activities, plus 8% generated by municipalities and households and 5% involving hazardous waste (source: *Eurostat, 2006 data*). In 2010, less than 2% of household waste ended up in landfills, with 49% being recycled and 49% incinerated (source: *Swedish Waste Management Annual Report 2010*).

Finland's waste sector represents approximately 50 million metric tons of waste, including 51% from building and demolition activities and 42% from commercial and industrial activities, plus 3% generated by municipalities and households and 4% involving hazardous waste. As for household waste, 32% is recycled or recovered, 17% is incinerated and 51% is landfilled (source: *Eurostat, 2008 data*). In Finland, the heavy proportion of commercial and industrial waste is explained by tonnages from the pulp and paper and mining industries.

(b) Description of the activities of Sita UK and Scandinavia

(i) Sita UK

Slta UK is a recycling and waste management company created in 1988 that currently has more than 6,000 employees. It provides innovative, environmentally friendly waste treatment solutions for 7.8 million inhabitants and more than 44,000 industrial customers throughout the United Kingdom.

In 2011, Sita UK handled nearly 8 million metric tons of waste at its recycling and composting facilities, landfill sites and energy-fromwaste recovery plants, recycling and recovering nearly 2 million metric tons of waste. Sita UK also generated nearly 1 million MWh of electricity from landfill gas emissions and energy-from-waste production facilities, enough to power some 170,000 homes.

By 2015, the United Kingdom needs to reduce the amount of waste sent to landfills to 35% of its 1995 level. Waste headed for landfills will be taxed at £80 per ton by 2014.

Sita UK is active throughout the entire waste cycle. The Group's size 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 contract renewals and to pursue development through complementary activities:

 in 2010, Sita UK finalized 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;

- in November 2010, Sita UK signed an exclusive contract 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. The building permit for the first plant in Avonmouth was granted in September 2011 by Bristol City Council;
- in July 2011, Sita UK launched a new recycling program in partnership with DREAMS, the leading bed retailer, to avoid landfilling some of the 6 million mattresses that end up in landfills each year. Under this new contract, DREAMS will supply about 100,000 mattresses, headboards and sofas to the Granville waste management plant in Telford, Shropshire;
- in September 2011, the Secretary of State approved the Sita UK project to build a waste-based power production plant at Severnside, South Gloucestershire. The plant will be able to treat nearly 400,000 metric tons of waste per year.

The Group estimates that Sita UK is the third-largest private player in the United Kingdom in terms of revenue.

(ii) Sita Sverige and Sita Finland

Sita Sverige, a wholly-owned subsidiary of the Group, is active throughout the waste cycle, including waste sorting at customers' premises, collection, pre-treatment, recycling and treatment of all types of waste, excluding potentially radioactive waste from nuclear processes and facility-owned incineration plants and the treatment of electrical and electronic waste. Sita Finland, a wholly-owned subsidiary of Sita Sverige, is active in the waste collection, sorting and recycling segments.

In 2011, through their collection activities, Sita Sverige and Sita Finland served more than 2 million people and 57,000 commercial and industrial customers, and treated over 1.3 million metric tons of waste, with a recycling rate of nearly 95% at its sites in Sweden.

Sita's Swedish activities have grown organically to a certain extent in recent years by offering basic recycling solutions to mostly commercial and industrial customers, as well as by making some major strategic acquisitions. Sita Sverige has thus reinforced its presence in the various regions of the country as well as in recycling and hazardous industrial waste management, which are significant segments in Swedish industrial production. For example, its main business customers include McDonald's, Swedavia, Skanska, Mondi, Peab and Gate Gourmet. In 2011, Sita Sverige also began operating a number of new household waste collection contracts. The National Recycling Awards officially singled out Sita Sverige, naming it "Best Recycler in 2010" for having significantly increased its recycling at Swedish construction sites.

Description of the Group's main activities

Sita Finland has also continued to strengthen its recycling operations by developing new recycling plants and commercial and industrial offerings. Sita Finland's positioning has also been reinforced in recent years by various strategic acquisitions, in both new regions and areas where it was already active. Its structured targeting of commercial and industrial customers has seen its revenues increase, along with the tonnages received at its own sites, such as those in Turku and Helsinki. Its main customers include YIT, Onninen, Peab, Isännöitsijä Kolmi or Avara. In 2011, Finland's national legislation was amended, and will have a long-term impact on waste industry players by reducing the number of regions with no restrictions on who can bid on household waste collection tenders. Municipalities are now increasingly involved in the procurement process for such

6.5.3.3 Sita Deutschland and Benelux

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

In 2011, the contribution of Sita Deutschland and Benelux to the Group's consolidated revenues was €1.6 billion. Sita Deutschland, Sita Belgium and Sita Nederland employed about 7,750 people as of December 31, 2011.

(a) Specific features of the German and Benelux waste sectors

Germany, the Netherlands, Luxembourg and Belgium are European leaders in waste management and recycling, and their regulatory frameworks are far ahead of the European average. In this geographic region, less than 5% of total municipal solid waste is thus sent to landfill. Most municipal solid waste is recycled (about 60%) or put through an energy-recovery process (about 35%).

With a very high population density and its situation in a delta, the Netherlands had to confront environmental problems very early on. Today, 80% of waste in the Netherlands is recycled, and 16% is put through an energy recovery process. Only 4% of the country's total waste ends up in landfill. By comparison, the European average in 2008 was 38% recycled and 40% landfilled.

In Germany and Benelux, waste is no longer considered waste, but rather part of the circular economy. The significance of waste as a

secondary resource becomes clear when looking at the increasing global dependence on raw materials. The German government has formed a Raw Materials Agency due to resource scarcity in its economy. The Dutch government intends to make its industries more competitive by focusing on savings and sustainability, and is exploring solutions to make the country a hub of secondary resources.

In such an environment, the trend is toward more sorting at source and recycling, with producers assuming more responsibility, as well as partnerships between waste management players and industry to work together in a closed loop. It also becomes a real innovation challenge, requiring greater transparency in supporting sustainable development claims, and will demand more awareness on the part of citizens regarding their consumption and attitudes toward waste. It is not improbable that the trends observed in Sita's markets in Germany and Benelux are but a glimpse of what lies in store for the rest of Europe.

(i) Germany

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

(ii) Benelux

Of a total of 95 million metric tons of waste generated in the Netherlands, 59% is from building and demolition activities and 26% from commercial and industrial activities, with 10% generated by municipalities and households and 5% involving hazardous waste; about 1% of household 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% comes from building and demolition activities and 33% from commercial and industrial activities, with 9% generated by municipalities and households and 11% involving 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).

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

Description of the Group's main activities

(b) Description of the activities of Sita Deutschland and Benelux

(i) Sita Deutschland

Sita Deutschland provided waste collection services to about 11 million people and more than 50,000 commercial and industrial customers in 2011. Sita Deutschland treated about 1.3 million metric tons of waste.

The Group estimates that Sita Deutschland is the fourth-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 solid position in the incineration segment through its Zorbau site in the Leipzig region. Sita Deutschland's cooperative arrangement with Sita Nederland is also an advantage that provides the benefits of staff exchanges, an international network and shared services.

By acquiring the remaining 31.6% of the outstanding capital, in October 2010 Sita Deutschland became the sole shareholder of BellandVision GmbH, a German company active in services and royalties relating to the recycling of industrial and large-scale distribution packaging. In 2011, BellandVision was highly successful and became one of the main players in Extended Producer Responsibility, ranking second in the market behind DSD.

(ii) Sita Nederland and Sita Belgium

Sita Nederland is active throughout the entire waste cycle: in 2011, Sita Nederland provided waste collection services to nearly 1.5 million people and nearly 78,000 commercial and industrial customers, and treated about 1.3 million metric tons of waste. The Group believes that Sita Nederland is one of the two largest private operator in the Netherlands.

In 2010, the Group has also improved its positions in energy recovery through the commissioning of the EVI incinerator 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 customer portal. In October 2011, Sita Nederland also opened a new waste-fired power plant in Roosendaal, in southern Holland. This facility can handle 290,000 metric tons of waste and produces power for 70,000 homes.

In September 2011, Sita opened a plastic-packaging sorting plant in Rotterdam, probably the most modern facility of its kind in Europe. It sorts one-quarter of Holland's plastic packaging, and can handle 25,000 metric tons per year.

The Group estimates that Sita Belgium is the leading operator in the Belgian waste sector due to its very solid position in collection and treatment operations, mainly from industrial and commercial waste activities. In 2011, the Group provided collection services to more than 5 million people and more than 51,500 commercial and industrial customers in Belgium.

Sita also opened a new production plant for Recyfuel, a joint venture created by CBR and Sita to produce alternative fuel for the cement industry. This fuel is produced from hazardous waste (solvents and paint) and sawdust.

6.5.4 Presentation of the Group's International activities

In addition to Europe, the Group operates 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 offerings. In addition, depending on the country, the Group has been able to rely on the 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 and contracts on the five continents.

For over 70 years, Degrémont, a wholly-owned subsidiary of SUEZ ENVIRONNEMENT, has designed, built, equipped and operated drinking water plants, industrial process water plants, desalination plants for seawater and brackish water and urban and industrial wastewater treatment, recycling and sludge treatment plants. Degrémont has a presence in over 70 countries and employed more than 4,500 employees (35% of them in France) as of December 31, 2011.

Degrémont contributed €1.6 billion to the Group's consolidated revenues in 2011. Design-build activities represented 68%, BOT contract management and services 18% and the equipment business 14% of Degrémont's total revenues. Approximately

Description of the Group's main activities

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 water treatment clients (local authorities and other public and industrial entities), Degrémont provides a global offering based on plants designed for the:

- production of drinking water (over 3,000 sites designed, built or equipped throughout the world) and process water;
- desalination of seawater or brackish water via reverse osmosis (at least 250 sites designed, built or equipped throughout the world);
- purification and recycling of urban and 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 and 51 Thermylis[™] oxidation systems around 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 plants and the paper and agri-food industries).

To adapt to the operating methods and specific needs of its customers, Degrémont also provides a varied offering that includes design-build, operating and related services plus 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 (design and build) contracts, under which Degrément is responsible for the design and building of a project, generally as the result of a public tender process;
- DBO (design, build and operate) contracts, under which Degrémont is responsible for the design, building and operation of a site;
- BOT (build, operate and transfer) contracts, under which Degrémont is responsible for financing the project, designing and building the site and transferring it to the owner at the end of a given operating period. For 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 of the following services:

(i) Design and build

Degrémont's traditional activity is conducted under turnkey contracts via which 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, thanks to which the Group offers its customers building and operating expertise that stands out in its market.

Degrémont's operation and services product offering is adapted to customer needs, from the operation and overall maintenance of a site to the supply of replacement parts, after-sales services, plant renovation 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 startup is ensured). 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 and ensure continuity of the public service while controlling operating costs through predefined, transparent investment policies.

(iii) Equipment

Degrémont Technologies, Degrémont's technology division, supplements its offering by providing compact equipment and units, including membrane ultrafiltration through Aquasource, sludge drying through Innoplana, UV or ozone disinfection through Ozonia, thermal oxidation through Infilco Degrémont and "pure" water production technologies for industrial and medical activities through 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 plants. A full range of aftersales services is offered in addition to equipment provision.

(iv) BOT contracts

Under the terms of a BOT contract, Degrémont is responsible for the design, construction and operation of a 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.

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(v) Ondeo Industrial Solutions

Ondeo Industrial Solutions (OIS), created in 2002 and a wholly-owned subsidiary of Degrémont since the end of 2011, operates with industrial customers primarily in Europe, where its subsidiaries are based. It specializes in the optimization and global management of the water cycle in industry, including outsourcing and partnerships, design and building of wastewater treatment plants, related equipment and services, mobile treatment plants, turnkey solutions, operations, maintenance and technical assistance, consulting and research into solutions adapted to the needs of its industrial customers.

OIS employed approximately 650 people (through its subsidiaries) as of December 31, 2011, and is active in France, Italy, the United Kingdom, Spain and Benelux.

OIS offers solutions tailored to specific activity sectors (notably aviation, automotive, agri-food, chemicals, energy, oil industry, metallurgy, micro-electronics, paper, pharmaceuticals, petrochemicals, steel and glass activities) to meet the special needs of industrial customers in water resource management, treatment of unpurified water, supply of process water, wastewater purification and sludge and byproduct recovery.

OIS has over 200 operation and services contracts worldwide with industrial customers and has, to date, constructed over 1,800 process water treatment stations and over 2,000 wastewater treatment stations.

In 2011, OIS was the successful bidder on several contracts relating to the construction industry, operation and services for the supply and/or maintenance of process water facilities (including Tata Steel, Arc International, EDF and Shell) and wastewater facilities (Aperam, Areva, Ineos, Total or PVDSA).

The economic crisis affecting OIS's industrial customers has forced the company to focus on its most promising sectors, which include the gas and petrochemicals markets and the energy market, by promoting the most appropriate solutions for improving its customers' economic and environmental performance.

(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 2011, the company invested some €14.5 million in research and innovation, involving more than 2,500 people, and held a portfolio of 139 patents as of December 31, 2011. Two new Degrémont innovations are Greenbass™, which reduces the energy consumption of wastewater treatment plants by continuously adjusting the flow of air involved in biological treatment, and www. lifecarbontool.com, a dedicated website for the water industry that allows drinking water, wastewater and desalination plants to create online simulations of their carbon footprints. The website offers

users a version of the $\rm O_2C$ carbon calculator, along with a list of specific water treatment emission factors.

(c) Degrémont's international presence

In 2011, 77% of Degrémont's revenues were generated outside France. Degrémont carries out its international activities through numerous subsidiaries:

 in Europe (Switzerland, Belgium, Spain, Italy, Portugal, Czech Republic and Norway) and Russia;

In 2011, Degrémont won the contract to design, build and operate a wastewater treatment plant in Prague, Czech Republic, through a consortium involving SMP, Hochtief and WTE. The contract is worth a total of €257 million in revenue. In order to meet European Union targets for restoring water quality in sensitive zones by 2015, the Czech capital has decided to install a modern, high-capacity facility. Treating 350,000 m³ of water per day, the plant will serve the equivalent of 1,100,000 inhabitants and will be built on Cisarsky Ostrov Island.

- in Latin America (Mexico, Chile, Argentina, Brazil, Peru and Colombia); in Mexico, for example, Degrémont has built and financed water treatment plants, which it now operates, in Culiacan, Ciudad Juarez, San Luis Potosi or Mapocho in Chile;
- in the Middle East (Lebanon, Jordan, United Arab Emirates, Oman and Bahrain);

In 2011, the Public Works Authority of the State of Qatar (Ashghal) asked Degrémont to extend the Doha West wastewater treatment and recycling plant. The project will increase the capacity of the plant from 135,000 m³ per day to 175,000 m³ per day to serve an estimated 650,000 people. It is currently the largest operating wastewater treatment plant in the country. This project is an extension of the contract signed in 2005 to design, build and operate the plant for 10 years. The contract is part of a joint venture involving Degrémont and its Japanese partner, the Marubeni Corporation. The design-build phase of the extension represents US\$73.9 million in revenue and the operating phase US\$20.2 million, of which a total of US\$50.5 million from both phases will accrue to Degrémont. Situated 20 km west of Doha, the plant has been operating since March 2010 and the extension work should take 22 months.

- in Africa (Egypt, Algeria, Morocco, South Africa, Nigeria, Senegal and Burkina Faso);
- in Asia; for example, Degrémont has been active in China for 30 years, and has built over 200 plants with industrial clients and local public authorities;

In 2010, as part of a consortium, Degrémont won the first DBO contract for water in the city of Hong Kong to refurbish, extend

Description of the Group's main activities

and operate the Pillar Point wastewater treatment plant, which has a capacity of 550,000 m³ per day. Degrémont has installed two Innodry $2E^{TM}$ lines, which in 2012 will treat 200 metric tons of wet sludge coming from the four sewage plants in the new economic region of Tianjin Binhai. At Shenzhen, Degrémont has designed and built a fluidized bed incinerator with a capacity of 80 metric tons of dry material per day.

In 2011, Degrémont, as part of a new joint venture comprising Sino French Water Development (43%), Wuhan Chemical Industry Park (25%), Degrémont (22%) and Shanghai Chemical Industry Park (10%), won the contract for the new wastewater treatment plant at the Wuhan industrial and chemical park. Under this contract, Wuhan Sino French is to design, build and operate for 30 years a wastewater and effluent treatment plant for the Wuhan industrial park. The contract provides for an ultimate wastewater treatment capacity of 60,000 m³ per day, plus construction work to begin in 2013 on a water production plant with an ultimate output of 300,000 m³ per day.

in Australia and New Zealand;

Degrémont, in partnership with Transfield Services, won the water and wastewater management contract for the 1.1 million residents of Adelaide (the fifth-largest city in the country), and its area, worth a total of €840 million in cumulated revenues. This contract is in the form of a public-private partnership between the State's public water utility company (SA Water) and a joint venture that partners SUEZ ENVIRONNEMENT and its subsidiary Degrémont (50%) with Transfield Services (50%). The contract represents total revenue of €420 million for SUEZ ENVIRONNEMENT. The Group and its partner will manage the entire water cycle, including the operation and maintenance of six wastewater treatment plants, six sewage plants, 16,000 km of networks and water reuse systems. The 10-year contract includes a renewal option for a further six years.

In September 2009, Degrémont began building the Melbourne desalination plant. This project, which it was awarded in July 2009 as part of the AquaSure Consortium, will meet about one-third of Greater Melbourne's water needs. In 2011, construction encountered adverse climatic conditions and difficult labour relations. The Group is now wholly committed to completing the site work as quickly as possible (see Sections 9.1.2 and 20.6 of this Reference Document).

· in North America (United States and Canada);

Degrémont Technologies and its three brands Infilco, Ozonia and Anderson-WPT, which are very active in North America, supply equipment and systems for all aspects of water treatment. Its expert teams design and make equipment and systems used in industry and by local authorities.

In 2011, Degrémont completed the acquisition of AmeriWater, a US company that specializes in producing ultra-pure water. Based in Dayton, Ohio, AmeriWater was founded in 1995. Renowned for designing, building and supplying ultra-pure water systems for the bio-medical market, with special offerings specifically tailored to hospitals and medical centers, it also offers a range of technologies for industrial uses (filters for cooling towers, reverse osmosis and deionization systems, filters and softeners) and related services. AmeriWater has more than 40 employees plus a dedicated service department and a manufacturing plant, and operates across the whole of North America through a network of local distributors.

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

In 2011, the Group International division's other activities contributed €2.6 billion to Group revenues.

(a) North America

(i) United States (Water)

The Group manages 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 business:

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

Description of the Group's main activities

The 2008 acquisition 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 43 states. It also provides other asset management services, such as the sale or lease of new tanks and the management of communication antennae installed on the tanks. As USG's facilities and activities complement those of United Water, this operation has opened the way to growth opportunities in all activities and will broaden the range of asset management services, an initiative developed by USG with the participation of Agbar and United Water.

In 2011, these various activities contributed US\$887 million to the Group's consolidated revenues, 56% of which came from "regulated" activities and 44% from service contracts. These activities employed more than 2,460 people as of December 31, 2011 (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 contract segment has been strengthened by the acquisition of USG and of operating contracts previously held by Earth Tech.

United Water continues to hold 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 revenue). 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 2011, United Water had a portfolio of 20 operations in eight states in the "regulated" sector, and refocused on its service activities.

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

The American water market represents approximately US\$107 billion in revenue (source: *GWI, 2011*), and the Group estimates that private operators account for approximately 8% of its operating activities. This sector is characterized by long-term stability and increasingly high quality and service expectations. 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 2011, United Water enjoyed a number of commercial successes. In addition to winning contracts in Poughkeepsie, New York, and Pontiac, Michigan, United Water continued to execute its 10-year DBO (design, build, operate) contract for collection and wastewater treatment facilities for the city of East Providence, Rhode Island (contract won in March 2010).

(ii) Mexico (Water)

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

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

Bal-Ondeo's activities primarily involve:

- supplying and distributing drinking water and collecting and treating wastewater in Cancun, by delegation of a public service contract;
- two service contracts that the Group has entered into in Mexico
 City to cover 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 2011, the contribution of the Asia-Pacific business unit to the Group's consolidated revenues totalled €1.1 billion. The Group employed some 4,215 people in the region as of December 31, 2011.

(i) China

WATER

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, including BOT contracts for building and renovating water treatment plants, and delegation of public service agreements.

The Group has two delegation of public service contracts with the city of Macao. The first, a public service contract for the provision of water services, started up 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 concession contract for the production and distribution of electricity that was extended for 15 years on December 1, 2010.

Description of the Group's main activities

The Group is active in the Chinese water sector primarily through jointly-owned Sino-French Holdings, which was incorporated in 1985 and 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 should sell 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 involving 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, the Shanghai city authorities inaugurated the first research and development center dedicated to industrial wastewater and hazardous waste. These events demonstrate the Group's determination to explore new paths involving industrial cooperation and improved service quality;
- in 2008, the Group and its partner New World strengthened 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.

The Group also has a presence in China through Degrémont's activities, primarily in the industrial sector (see Section 6.5.4.1(c)).

 in December 2009, Degrémont, in association with Ondeo Industrial Solutions, thus 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 believes that China's water and wastewater sector will grow significantly, with steady participation from private operators, due to the combined effects of intense urbanization, growing industrialization, rising living standards among the population, increasing pressures on water availability and more stringent regulations on environmental protection and pollution control. China's 12th five-year plan, adopted and implemented in 2011, sets out ambitious targets and objectives for environmental protection, water and energy efficiency, and recovery of resources. The Group believes that this is one of the most dynamic sectors in the world.

Overall, the Group provided drinking water services to more than 13 million inhabitants in China. It estimates that it is one of the five

largest private operators in the Chinese market for drinking water and wastewater treatment services.

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

WASTE

The Group has been active in the Hong Kong waste sector since 1998 through Sita Waste Services. Historically one of the major players in waste treatment in Hong Kong, Swire-Sita Waste Services 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 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 two landfills (with over 3 million metric tons of waste landfilled in 2011). In 2011 as in 2010, the Group treated more than 3.6 million metric tons of household, commercial, 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 monitors these sites for a 30-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 company jointly owned with a local businessman, it provides collection of household, commercial and industrial waste and street cleaning for the municipality.

China's waste sector is characterized by a gradual opening up to private operators and by strong growth in volumes and urbanization. The Group therefore anticipates that the volume of domestic waste will increase substantially. China's 12th five-year plan also calls for a significant increase in solid municipal waste treatment infrastructure, mainly by developing energy-from-waste plants. China also produces very large amounts of hazardous waste, which currently does not undergo any effective treatment. Growth conditions in this sector seem to be in place, particularly with the adoption of more stringent environmental regulations and the formation of regulatory agencies since 2003. The energy recovery segment is strongly supported by local and central authorities through price subsidies for grid-based power distribution and tax credits.

Description of the Group's main activities

In Taiwan, the Group also operates an energy-from-waste incineration plant with a capacity of 450,000 metric tons of municipal and industrial waste per year.

(ii) Australia

WATER

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 problems strongly linked to climate warming. This sector offers significant growth opportunities due to the increased use of desalination and reuse of post-treatment wastewater.

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(c)), which began building the Melbourne desalination plant in 2009.

WASTE

Australia's waste sector represents approximately €7 billion in revenues (source: *IBIS World Report, October 2010*), with strong further growth potential due to a population that is rising by 1.2% per year and the increased amount of waste generated per person, which will grow total volumes in the future. Having achieved their objectives to reduce the use of landfills, state governments have been rewarded with the country's policy of increasing landfill taxes. In this context, recourse to alternative waste treatment solutions (waste recycling and recovery) involving composting and alternative fuel production continues to develop.

Significant legal changes came into effect in 2011, with Extended Producer Responsibility in electronic waste and tires followed by an emissions quota trading system in July 2012 that includes the waste sector. This will be the first emissions trading system to include waste and it will force industry to focus more on waste recovery and on reducing the amount of organic waste sent to landfills.

The Group has a presence in Australia's waste sector through Sita Australia, a company jointly owned by the Group (60%) and Singapore-based SembCorp Industries (40%) which operates in engineering, energy, logistics and construction.

Sita Australia provides weekly collection services for nearly 56,000 commercial and industrial customers and more than 3.6 million inhabitants in the country's main cities. In 2011, Sita Australia

strengthened its position in the industrial collection segment by applying a strategy focused on large accounts, and maintained a steady pace of organic growth. The purchase of WSN Environmental Solutions from the State of New South Wales in February 2011 for a total €174 million contributed significantly to revenue growth.

Sita Australia has retained its position as Australia's leader in the MBT (mechanical biological treatment) market and now considers itself the leader 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, alternative waste technologies (AWT), medical waste recycling, waste production audits, product disposal, advanced landfill technology and waste transfer.

The Group is the second-largest player in the solid waste segment in Australia

(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%.

In June 1997, SUEZ ENVIRONNEMENT subsidiary Palyja signed a 25-year concession contract with PAM Jaya (the municipal entity in charge of Jakarta's water management) for water production and distribution in the western part of Jakarta. The Jakarta authorities' decision to delegate the management of water supply services for the city is the result of the need to improve service levels and address the city's rapid demographic growth. The Group currently provides water production and distribution services to close to 3 million inhabitants.

For several years, Palyja's relations with the licensing authority (itself a former licensee before privatization) have been deteriorating, reflected mainly in the insufficient supply of raw water, a freeze on indexation of part of the price structure and recurring, significant delays in payment.

The recent further worsening of relations could lead Palyja to seek arbitration; its decision had not yet been announced at the time of this Reference Document.

(c) Central Europe, Mediterranean basin and 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 €860 million in 2011. As of December 31, 2011, the division employed more than 9,400 people.

Description of the Group's main activities

(i) Central Europe

WATER

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

- drinking water and wastewater treatment services in several Czech Republic cities, where it has had a presence since 1993;
- drinking water services in Budapest, Hungary (in partnership with RWE), and in the Pécs region.

On April 11, 1997, SUEZ ENVIRONNEMENT, in partnership with RWE, signed a 25-year contract with the municipality of Budapest for drinking water production and distribution in the city.

Following the political changes in Hungary in 2010, the municipality of Budapest decided to review the economic balance of the contract signed in 1997 and to obtain significant unilateral concessions from the co-contractors relating to the management of the joint venture and to the price structure. No decision has yet been announced in this regard.

When this Reference Document was being drafted, SUEZ ENVIRONNEMENT was not in a position to assess whether the consequences of the actions envisaged by the municipality of Budapest would significantly impact its financial position or income.

- drinking water services since 1999 in Trencin, Slovakia;
- the operation of the sewage plant (which it also built) in Maribor, Slovenia.

In addition, the Group is paying close attention to growth opportunities, particularly in Poland, Russia and Ukraine.

The Group feels that the water sector in Central and Eastern Europe is characterized by lower consumption in certain countries and difficulties in adjusting rates. However, growth opportunities do 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 SE Polska, leader in the industrial
and household waste and urban cleaning sectors. In 2011, SE
Polska posted €140 million in revenues and acquired a municipal
waste collection company in the Gdansk region, a collection and
service company (street cleaning and snow removal) with annual
revenues of approximately €20 million, making SE Polska the joint
leader, with its competitor Remondis, in Poland's waste market;

 in the Czech Republic and Slovakia, through its subsidiaries Sita CZ and Sita SK, which collect and treat municipal and industrial waste. With revenues of €70 million, the Group believes it is the third-largest private waste sector player in these two countries.

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

The waste treatment sector in Central and Eastern Europe is characterized by significant growth potential 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

In Morocco, the Group is active in the water sector through Lyonnaise des Eaux de Casablanca (Lydec), in which it has a 51% stake, with a further 34.75% of Lydec owned by Fipar Holding and RMA Wataniya, and the remainder traded on the Casablanca stock exchange. Lydec is responsible for water distribution, wastewater treatment and electricity distribution to more than 3 million consumers in Casablanca under a contract entered into in 1997 for a 30-year term. In 2011, Lydec contributed €522 million to the Group's consolidated revenues, generated in particular through activities related to electricity (63%), drinking water distribution (18%) and wastewater treatment (5%).

Lydec has been listed on the Casablanca stock exchange since 2005, and had nearly 3,400 employees as of December 31, 2011.

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 for flood prevention), and, as for its electricity activities, the development of infrastructures and improvements in the electricity distribution network.

In Algeria, the Group has had a presence since 2005, with a management contract through which it contributes its expertise and provides employees to the Société des Eaux et d'Assainissement d'Alger (SEAAL) in order to help improve drinking water distribution and wastewater treatment services for the city of Algiers (SEAAL provides drinking water services to approximately 3 million people). In September 2011, the Algerian authorities reaffirmed their confidence to SUEZ ENVIRONNEMENT by renewing for 5 years and extending the contract to help modernize the water and wastewater management services for Algiers. The contract covers the cities of Algiers and Tipaza and their surroundings, with a total population of about 3.8 million ultimately, and will involve some 5,500 employees and nearly €900 million in investments (funded by the State).

Description of the Group's main activities

In addition, in November 2007 Agbar was declared the successful bidder for a 5.5-year contract to manage water services for the city of Oran, beginning in January 2008.

WASTE

The Group also operates waste activities in Morocco through Sita El Beida. Since March 2004, the company 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 clean-up 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 two 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 (the area around Casablanca).

In 2011, Sita El Beida won the collection contracts for Sefi, Harhoura and Moammedia, while Sita Maroc Recycling won the waste management contract for the new Renault plant in Tangiers.

(iii) Middle East

WATER

The Group has the advantage of a historic presence in the Middle East, notably through Degrémont, which built the first reverse osmosis desalination plant in Saudi Arabia in 1975, signed 20 DBO contracts in the country between 1975 and 1986, built the world's largest hybrid desalination plant in the United Arab Emirates in 2003, and in 2005 won the contract to design, build and operate the largest wastewater purification plant in Qatar, whose treated water is returned to the system for reuse. In late 2008, it opened the As Samra plant in Jordan, the largest wastewater treatment facility in the Middle East, and, in the same year, the Kingdom of Bahrain awarded Degrémont the contract to build the largest reverse osmosis desalination plant in the Middle East at Al Dur, which was commissioned in 2011 with a flow capacity of 220,000 m³ per day.

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 in the region;
- in Saudi Arabia, the Group and its partner Aqua Power Development signed a seven-year contract on behalf of a joint venture called Jeddah Water Services, created in 2009 and held in equal shares by the two partners, for the management of water and wastewater services in the city of Jeddah. This contract, aimed at upgrading and modernizing the city's water and wastewater services, sets concrete, ambitious objectives for improving service quality (uninterrupted access to drinking water, reduced deadlines for emergency operations on the drinking water network and prevention of 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, so recourse to alternative water resources is the only solution to ensure a regular, sustainable water supply for the city. Some 98% of the water consumed in Jeddah comes from seawater desalination plants. Recourse to this 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 wastage. In 2009, Jeddah Water Services was awarded an extension of the contract covering wastewater management.

WASTE

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 an Abu Dhabi company, Trashco Abu Dhabi, with the aim of managing the collection of industrial and commercial waste in the emirate.

The cooperation between Al Qudra and the Group also extends to the waste sector, and, through AQSS, the Group participates in hazardous waste projects throughout the region. For example, the Group signed a 15-year contract via AQSS in late 2009 to build and operate a hazardous waste incinerator in Abu Dhabi.

In late 2009, the Group signed an operating agreement for a landfill at Muscat, Oman. This five-year agreement will be carried out via a joint venture created for the purpose, Sita Al Basheer, in which the Group holds a 60% stake, the other partners being Omani.

Legal and regulatory framework



6.6 DEPENDENCE FACTORS

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



LEGAL AND REGULATORY FRAMEWORK

The Group's regulatory framework derives from both interdisciplinary regulations and regulations specifically related t50 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 on 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

In general, methods for awarding contracts vary, depending upon 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) and the regulation method. A clear definition of the regulatory framework is of the utmost importance for 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 works or service, or as concession contracts. In contrast to a public contract, a concession is defined as the right to operate a public service, with transfer of a portion of the risk 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, which involves public notice and awarding 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. In December 2011, the European Commission published a draft amendment to the public contracts directives as well as a draft directive on concessions.

(b) French regulations

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

- · Service and building contracts are subject to the French Public Contract Code.
- Delegation of public service (DPS) contracts are governed by Law No. 93-122 of January 29, 1993 (the so-called "Sapin Law") regarding corruption prevention and the transparency of economic transactions and public proceedings, which defines the procedures applicable to such contract awarding. These contracts are particularly used in the water sector; local authorities (communes or groupings of communes) have the choice between direct control, the public service market or delegation. In the case of DPS contracts, 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 (which 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 to 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. These allow

Legal and regulatory framework

local authorities, under certain conditions, to entrust a company with a comprehensive mission to finance, design, build, maintain and manage the work necessary for the performance of a public service over the long term. Such rules are just starting to evolve, and may play a bigger role in the waste segment than in the 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 service 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 partnerships between the public and private sectors. It is intended to meet complex public sector needs that are not satisfied by traditional contractual agreements, and consists of awarding a company a comprehensive mission for construction, management, maintenance and renewal, as well as requiring the company to contribute to the project's financing. An upcoming decree should soon consolidate all the provisions relating to public contracts into a single law.

(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 UK 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 via calls for tender.

6.7.1.2 General environmental regulations

(a) European law

Environmental liability

The Environmental Liability Directive (2004/35/EC) regarding the prevention and compensation of environmental damage (transposed into French law 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, including "ecoregions" identified at world level, "Natura 2000" sites in Europe and sensitive rivers and corridors or reservoirs of biodiversity specific to France, as 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 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 criminal 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 (EPRTR) to monitor the release of pollutants into water, air and soil at EU level (replacing the European Pollutant Emission Register EPER). This new register, which is an electronic database that has been accessible to the public since November 9, 2009, is aimed at facilitating access to information concerning pollutant emissions. The great majority of waste and some wastewater treatment activities are affected by this regulation (although certain thresholds do exist, however) and, consequently, the operators concerned must provide precise data on their emissions every year (the initial reference year was 2007).

REACH

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

Legal and regulatory framework

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 verify with suppliers that the substances used 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 terms of the sale of recycled substances (secondary raw materials) as well as of 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, more sustainable energy supply.

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

- A directive that 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 efforts among Member States in domains that are not covered by this system, such as transport, construction and environmental services.
- A directive intended to promote renewable energies, such as biogas and energy produced from waste biomass and wastewater treatment byproducts.
- A directive on the geological storage of CO₂.
- New guidelines concerning State aid for conservation of the environment published on April 1, 2008 and aimed at supporting the investment efforts 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 involves a European Union commitment to reduce its greenhouse gas emissions by at least 20% between now and 2020, a compulsory objective of 20% renewable energy in energy consumption within the same timescale and an increase of 20% in energy effectiveness (this program is 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 (known as the "loi Grenelle 1" or Grenelle 1 Law), relating to implementation of the Grenelle Environment Forum's commitments, defines the main orientations and translates these commitments into legal terms.
- Law No. 2010-788 on a national environmental commitment (known as the "loi Grenelle 2" or Grenelle 2 Law) sets out the conditions for implementing the commitments made in 2007.
- The initial finance law for 2009, No. 2008-1425, details financing methods for measures adopted within the Grenelle context as well as new ecological tax instruments.
- The remedial finance law for 2007, No. 2007-1824, takes note of measures established 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.

In the water sector, the Grenelle 2 Law establishes a massive program for recovering 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 fulfil new obligations. The main measures cover:

- New or increased use of renewable energy and/or recycling in water treatment.
- · Limiting losses in water distribution networks.
- Provisions for rainwater management and use, plus taxes on ground that is rendered impermeable.
- Allocation of new tasks to the public territorial water basin management agencies (Etablissements Publics Territoriaux de Bassin/EPTB) in order to implement mandatory water management and development programs (Schémas d'Aménagement et de Gestion des Eaux).
- Creation of land and water corridors to prevent the loss of biodiversity.
- Concerted policies to reduce phytosanitary products by 50% as part of the Ecophyto 2018 plan.

Legal and regulatory framework

In waste management, the main objectives are:

- To reduce waste production by 7% per person per year for the next five years.
- To reduce the quantity of waste landfilled or incinerated by 15% between now and 2012, in particular by raising the general tax on polluting activities (TGAP) on landfilling and creating a TGAP on incineration.
- To improve recycling rates for packaging and household, industrial, commercial, building and public works waste.
- To promote incentive 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 waste levels.
- To roll out planning measures by strengthening local plans to prevent waste production.

By the end of 2011, the Grenelle Environment Forum had generated nearly 45 waste-related decrees, of which 70% have been signed. Of particular note are: the implementation of three new Extended Producer Responsibility systems – covering the collection of medical waste, furniture and specific household products; the separate collection for major biowaste producers; the reform of waste planning to make civil engineering waste management mandatory; and the implementation of a study on greenhouse gas emissions.

(c) Chinese regulations

China continues to reinforce its environmental regulations so as to set higher standards, mainly involving marine and air pollution and protection of groundwater, species and natural habitats. In particular, it has promulgated a special 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. Thus, 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 development lever 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 in the law specifically include implementation of the principle of producer responsibility in certain sectors, environmental labelling rules, tracking methods and national statistics, environmental criteria in public procurement procedures, tax benefits for certain sectors and the creation of research and development funds.

(d) Australian regulations

Environmental matters in Australia traditionally fall within the jurisdiction of state governments rather than the federal government, and each state has its own air, water, soil and biodiversity protection regulations. However, the federal government has taken on the task of harmonizing these regulations so as to more effectively combat climate change.

Accordingly, the 2007 National Greenhouse and Energy Reporting Act established a national framework for businesses to file their greenhouse gas emission, energy consumption and energy production reports. In 2009, the Renewable Energy Target Scheme set a goal of increasing the proportion of power from renewable sources to 20% of the country's total electricity production by 2020.

The Clean Energy Future legislative package adopted on November 8, 2011 is the first set of federal regulations to properly cover water treatment and the recovery and elimination of waste. The main features of the package include:

- An Australian emissions quota trading platform, effective as of July 1, 2012, which should cover approximately 500 businesses, including landfill operations and sewage plants.
- A carbon-credit mechanism for collecting biogas from landfill sites and the sequestration of CO2 connected with farming and forestry activities. Operational since December 2011, this mechanism should encourage organic waste recovery.
- A regulator tasked with administering the mechanism and overseeing the implementation of the law, as well as an independent authority in charge of climate change.

Legal and regulatory framework

6.7.2 Regulations relating to activities

6.7.2.1 Water

(a) European regulations

Framework for EU policy on the water sector

Directive 2000/60/EC (as revised in 2008), which establishes a framework for the European Union's water sector policy, is aimed 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, including reducing the release of "priority" substances that are considered most harmful to the environment and human health, drafting and implementing master plans and action plans, monitoring the results of actions aimed at restoring the quality of environments and reporting on this to the European Commission.

The directive recommends that water usage and its impact be analyzed on an economic basis, provides for increased public participation and consultation, sets the objective of full recovery of service costs and establishes the "polluter-pays" principle.

The directive also sets forth a strengthened legal and institutional framework for 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, by December 2009, of river-basin management plans combined with the set-up of programs of measures that must become operational by 2012 and will help to achieve the directive's environmental targets between now and 2015. A roadmap that includes "A Blueprint to Safeguard Europe's Water Resources," expected for November 2012, should also offer Member States tools to help them achieve these targets.

The 2000/60/EC directive is separated into two implementation directives (known as "daughter" directives), which specify the "good condition" to be achieved for ground and surface water between now and 2015.

The 2008/105/EC directive relative to environmental quality standards applicable to surface water sets concentration thresholds for 33 chemical substances or groups of chemical substances identified as priorities due to the significant risk they represent for the environment and/or human health via the aquatic environment. Of these substances, 13 have been classified as hazardous, and their emission in surface water must 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 will be called upon to vote on a list of 13 additional priority substances in 2012.

The goals of Directive 2006/118/EC on the protection of groundwater against pollution and deterioration are primarily the proper chemical condition 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

Directive 98/83/EC on the quality of water intended for human consumption has raised requirements involving several parameters (turbidity, chlorites, arsenic, volatile organohalogenates, nickel), in particular concerning lead (25 $\mu g/l$ at end-2003 and 10 $\mu g/l$ at end-2013), meaning 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 on private and public properties to achieve this goal. It also raised requirements regarding public information on the quality of water distributed. After consulting the stakeholders concerned in 2003 and 2008, the Commission decided in 2011 not to revise this directive and to restrict itself to amending the details of various appendices.

Directives on wastewater treatment activities

European Directive 91/271/EEC concerning urban wastewater treatment introduced several major categories of obligation, including:

- to efficiently collect, and provide for secondary treatment of, wastewater in municipalities with more than 2,000 inhabitants;
- to define "sensitive" areas at national level, where treatment of nitrogen and/or phosphorus is required;
- to require a high degree of reliability in wastewater treatment systems and impose the obligation to monitor these systems;
- to 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 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 best agricultural practices must be established.

Directive 2006/07/EC (transposed into French law in 2008) pertains to surface water that could serve as swimming water. Member States

Legal and regulatory framework

must provide for the supervision and assessment of their swimming water. Information regarding the classification, description, and potential pollution of swimming water must be easily accessible to the public and provided close to the area concerned.

Both Directive 2006/44/EC on the quality of fish-farming water, and Directive 2006/113/EC on the quality required for shellfish-farming water apply to water that requires protection or quality improvement so as 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 the installation of any 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 proper ecological and chemical status objectives set forth in Directive 2000/60/EC by 2015; it is also intended to improve public water and wastewater treatment services (access to water and transparency).

The delays observed in application of the directive on urban wastewater treatment (91/271/EEC) 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 so as to meet the goal of 100% compliance by all sewage plants before the end of 2011, as defined in the framework of the Grenelle 1 Law. The targets were essentially to be reached by the end of 2011, although some work must continue at certain sites.

(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 to belong 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 previously adopted European Directives.

The water laws (RDLeg 1/2001 of July 20, 2001) also impose processes for water desalination and reuse, presented as solutions for increasing the availability of water resources. As for water savings, the provisions introduce the general obligation

to measure water consumption via standardized metering systems, or, for irrigation purposes, to administratively define a usage benchmark.

To guarantee the proper ecological status of water, 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 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, in 2002 the EPA adopted regulations on the treatment of surface water (Interim Enhanced Water Treatment Rule for systems larger than a population equivalent of 10,000, and the Long-Term 1 Enhanced Water Treatment Rule for smaller systems); in 2006, it then tightened regulations on disinfection byproducts (Stage 2 Disinfectants and Disinfection Byproducts Rule). The Ground Water Rule, which was promulgated in 2006, established multiple restrictions designed to prevent drinking water from being contaminated by bacteria or viruses. The proposed revisions to the standards relating to coliform bacteria (Total Coliform Rule) should prompt those systems vulnerable to microbiological contamination to adopt more effective operating practices.

In wastewater treatment, many facilities are now required to add a third treatment stage to remove phosphorus and eliminate nutrients in order to conserve fragile environments. Many of these are also now required to control their toxic emissions and comply with quality standards aimed at restoring favorable conditions for bathing and fishing in the receiving environment. As part of the national emissions licensing system, the EPA uses a method that analyzes total effluent toxicity. Under the provisions of the Clean Water Act, 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 – into the natural environment.

(e) Chinese regulations

China has promulgated a law on the prevention and control of water pollution covering both underground and surface water.

Legal and regulatory framework

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 risks pertaining to the facility concerned. Landfill operators must provide specific financial guarantees (often in the form of bank guarantees) that cover restoration of the site and monitoring after its closure (for a 30-year period in most countries). Operators must also observe specific standards with respect to discharges and emissions arising from processes; incineration plants, for example, are subject to regulations intended to limit emissions of pollutants and to encourage energy recovery. Waste flows are also subject to specific regulations, depending on their type.

(a) European regulations

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 – as a last resort – landfill disposal. Analysis based on the "life-cycle" approach will, however, allow certain adjustments to be made within this hierarchy. At the same time, Member States are required to reach ambitious recycling objectives, involving 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. It also introduces two new notions: that of byproducts and that of "end-of-waste status"; regarding the latter, more precise criteria are currently being defined via the comitology process, which was also used in 2011 to define a method for measuring waste-recovery efficiency against targets.

Regulations relating to cross-border waste shipment

Regulation 1013/2006/EC governs cross-border shipments of waste, the objective being to provide ecologically sound management. It establishes a preliminary authorization system for waste shipment, drawing a clear distinction between waste that is destined for recovery – whose movement is, in principle, unrestricted – and waste destined for definitive disposal (landfilling, incineration) for which export is, in principle, prohibited, unless there is a specific agreement between Member States. This regulation also incorporates Basel Convention provisions on the control of cross-border hazardous waste movements and disposal.

The regulation provides for more rigorous performance measures, requiring Member States to carry out inspections and spot checks. It also authorizes physical controls on 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 the corresponding sanctions.

Directive on waste landfilling

Directive 1999/31/EC on landfilling of waste sets the technical and operational requirements applicable to both waste disposal sites and the waste deposited. It aims to prevent or reduce landfilling of waste's environmental impact, in particular on surface water, groundwater, soil, air and human health, defines the various waste categories (municipal, hazardous, non-hazardous and inert) and distinguishes between three types of facility: landfills for hazardous waste (Class I in France), those for non-hazardous waste (Class II in France) and those for inert waste (Class III in France).

It sets the objective for Member States of reducing the quantity of landfilled biodegradable waste: as of 2009, the quantity of landfilled biodegradable waste could not exceed 50% of the total biodegradable waste produced in 1995, with the goal being to not exceed 35% by 2016. The directive also stipulates that only waste that has been subjected to prior treatment shall be allowed, and that decommissioned sites shall be subject to surveillance and analyses as long as the competent authorities deem it necessary (a 30-year period in France).

Industrial Emissions Directive

Directive 2010/75/EU on industrial emissions, published in the OJEU on December 17, 2010, incorporates Directive 96/61/EC on Integrated Pollution Prevention and Control (IPPC) along 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.

Legal and regulatory framework

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 stipulates that certain industrial and agricultural activities – one of them waste services management – must be subject to prior authorization that requires certain environmental conditions to be met. Through the adoption of specific measures (for example: recycling, accident prevention and treatment of sites at end-of-life) and by meeting operating requirements (for example, limits to the emission of polluting substances and monitoring of discharges), companies are responsible for prevention and reduction measures regarding the pollution they are likely to cause. The new directive introduces more stringent BREFs (documents defining the best available techniques) and modifications to limit values for emissions and broadens the scope of application to include 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 targets for December 31, 2008 for the recycling and recovery of packaging used in the European market:

- a minimum of 60% of packaging waste must be reused or incinerated at energy recovery facilities;
- 55-80% 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," and again in 2005 to give new Member States more time for implementation.

Directive 2002/96/EC on waste electrical and electronic equipment (WEEE) imposes measures concerning product design (notably a reduction in the use of heavy metals), the establishment of collection, treatment and in particular recovery systems (systematic selective treatment of certain components and substances said to be hazardous) and manufacturers' participation in these measures in such a way as to encourage them to integrate recycling measures as of 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 and the 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 separate collection rate for electrical and electronic equipment waste from households must be 4 kilograms per inhabitant as of January 1, 2007;

- recovery: by the same date, the rate of recovery according to the average weight per appliance must be 80% for large appliances, 70% for small appliances and 75% for computer and telecommunication equipment;
- reuse: 80% for gas-discharge lamps, 75% for large appliances, 50% for small appliances and 65% for computer and telecommunication equipment.

Since 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), simplify them and reduce costs. The draft also contains proposed quantitative objectives for the years to come. This draft is expected to be adopted in early 2012. As a parallel measure, the revision of Directive 2011/65/EU aimed at restricting the use of hazardous substances (RoHS) in WEEEs was completed and published in the OJEU on July 1, 2011.

Directive 2006/66/EC 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 Directive 2008/12/EC, which came into force on March 30, 2008 and which specifically introduced changes in the implementing powers conferred on the European Commission.

Directive 2000/53/EC relating to end-of-life vehicles (ELVs) requires the owners of such vehicles to return them to an authorized wrecker on penalty of being unable to deregister the vehicle in question. Wrecking involves extracting all materials, optimizing their reuse, recycling them and recovering what is recoverable. The recycling rate must reach 80% and the recovery rate 85% as of 2006, and must reach 85% and 95% respectively by 2015.

Directive 86/278/EEC on protection of the environment and, in particular of 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 regarding organic compounds and the various metallic trace elements that it may contain (heavy metals such as cadmium, mercury and lead). French Standard NFU 44-095, drafted in 2002 and now applicable in France, goes further, defining a strict framework for the recovery as soil conditioner of substances remaining after composting of material produced via wastewater treatment or found in the organic portion of household waste.

(b) French regulations

In France, in compliance with Articles L. 511-1 et seq. of the ICPE (environmental code covering installations classified for the protection of the environment), ministry and prefectural decrees and orders define the rules governing waste treatment

and specifically regulate the design, building, operation and postclosure monitoring of the facilities involved. Hazardous waste is subject to strict tracking obligations throughout the entire treatment chain, and traceability of hazardous waste is provided via 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, known as the registration system, was introduced in 2009 in order to simplify the administrative regulation of certain low-pollution facilities.



GROUP ENVIRONMENTAL, CORPORATE AND SOCIAL RESPONSIBILITY POLICY

Since the 2001 NRE (New Economic Regulations) law, French listed companies must report on their environmental and social impact in their management report. The Grenelle 2 Law (Article 225) reinforces these obligations by specifying the information that companies must report in three areas:

- environmental policy (Section 6.8.1);
- employee relations policy (Section 6.8.2);
- · corporate social commitments to sustainable development (Section 6.8.3).

6.8.1 **Environmental policy**

Due to the nature of its water and waste activities, the Group is a player in the following environmental challenges:

- · environmental preservation, involving: 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 resource use and the need to develop renewable energies;
- · reduction in raw material resource use;
- · preservation of water resources;
- · protection of natural environments and biodiversity.

Regarding environmental protection, the distinctive quality of the services that SUEZ ENVIRONNEMENT offers its customers, local authorities and industries as part of "delegation of service" involves treating/purifying their waste and effluents and recouping, through circular economy, the recoverable portions of waste and energy.

SUEZ ENVIRONNEMENT is thus a major, positive contributor to efforts to reduce nuisances and hazards and to preserve resources and habitats.

Alongside this positive environmental impact, there are nevertheless negative contributions, as with all industrial activities, that result from the operation of waste and water treatment centers, although the effects 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 concerning the impact on natural habitats and resources must be measured, controlled and reduced to a minimum via a continuous improvement process involving a true 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 and also affect its image and reputation.

In general, and particularly for service activities, the Group's environmental performance is related to its operating performance. Due to increasingly strict regulatory restrictions involving the environment, local authorities are often required to call upon the expertise of qualified professionals to manage their assets and services.

6.8.1.1 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 an ongoing goal:

· the Group develops innovative solutions in order to offer customers - whether municipalities or businesses - solutions that will deal with their environmental problems efficiently and at the lowest possible cost, and to more effectively assume the water and waste management responsibilities entrusted to them by legislative authorities;

Group environmental, corporate and social responsibility policy

- the Group constantly monitors the capacity of all the plants and services it provides or manages to ensure their ability to 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;
- the Group 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.

ENVIRONMENTAL RISK PREVENTION PLANS

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 established for this purpose. Employee training, innovation and research programs all contribute to the operational control of such risks.

Section 4.2.2 of this Reference Document describes the management mechanisms for reducing industrial and environmental risks.

ENVIRONMENTAL MANAGEMENT SYSTEMS CERTIFICATION

The Group encourages site and entity managers in charge of the services it offers to obtain EMAS, ISO 14001 or equivalent international standard certification.

The indicators below show the progress made by the Group in certification and environmental policy according to activity:

Indicators	2011 data
WASTE	
Household and municipal solid waste tonnage, treated by the Group, certified by an environmental management system (EMS)	37.4 M t
Portion of waste treatment activity covered by an environmental management system (EMS)	89%
WATER	
Volumes covered (drinking water + wastewater treatment) by certification issued by an environmental management system (EMS)	4,180 M m³
Portion of activity covered by an environmental management system (EMS)	50%

ENVIRONMENTAL PROGRAM

The environment constitutes an integral part of SUEZ ENVIRONNEMENT's Sustainable Development Policy and strategy. The business units implemented Environment Programs that apply to a share of their activity representing 85.5% of the Group's 2011 total revenue. These programs are defined in terms of measurable, time-bound objectives (planning, procedures, implementation etc.). The SUEZ ENVIRONNEMENT environmental program was merged with the economic and employee programs in order to build a "sustainable development" program that will be implemented throughout the entire Group via 4 priorities and 12 commitments, which are monitored in terms of well-defined performance indicators.

The commitments that 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 resources and promote the circular economy

Maximize waste recycling and recovery rates by increasing the proportion of the waste volumes we manage that is reused, recycled and recovered in the form of new materials in order to minimize the impact of products' life cycles.

Increase the technical yields of drinking water network and reduce leaks in order to avoid wasting a precious resource.

Priority 2: Innovate to respond to environmental challenges

Reduce greenhouse gas emissions (metric-tons equivalent of CO_2) in order to play a part in the battle against climate change. In order to achieve this objective, the Group will rely on the reduction of emissions from the vehicle fleet, technical facilities and buildings, which are vital to carrying out its activities, and on an increase in its contributions (thanks to recycling, energy recovery etc.).

Improve the energy efficiency by reducing the amount of power required for the Group's operations (consumption of fossil fuels and network energy consumption, i.e.: electricity, gas etc.).

Increase the production of renewable energy via energy recovery plants, sludge recovery and landfill biogas.

Incorporate biodiversity into site management by putting in place action plans for sensitive sites and getting involved in national and regional conservation and biodiversity policies.

Group environmental, corporate and social responsibility policy

ENVIRONMENTAL PROTECTION INFORMATION AND EMPLOYEE TRAINING

The Group keeps its employees informed about its performance, actions and best practices in environmental protection via its intranet and sustainable development reports. Related training is also provided; specifically, the Group has launched "Ambassador," its first serious game, the purpose of which is to help all employees and in particular new ones to understand the Group's businesses and challenges, especially those involving environmental protection. Through various educational initiatives, which cover the Group's environmental commitments as defined in SUEZ ENVIRONNEMENT's Sustainable Development Policy, the player undertakes an instructive tour of the Group's actions and best practices in environmental protection.

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 via forums for international dialogue, such as the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD), and complies with the provisions of the French NRE (New Economic Regulation) law.

Companies are now increasingly moving to measure their ecological impact in order to raise awareness among their customers and to promote their products and services. The evaluation criteria are based on strong internal environmental protection requirements.

The reporting exercise carried out in 2011 and the Group's practices in the area have contributed, through a process of continual improvement, to enhance the procedures for gathering and publishing information on the environment, among other subjects. This information is also disseminated via SUEZ ENVIRONNEMENT's Annual Report and the reports published by its business units.

Environmental reporting is closely linked to operating performance reporting, and thus becomes a genuine management tool. Headed up by its network of environmental officers and via annual reporting, SUEZ ENVIRONNEMENT monitors its subsidiaries' environmental activities and ensures that best practices are shared.

In environmental activities, indicators for measuring and improving environmental and operating performance are reported to

headquarters, and the results are relayed to the operating managers. The indicators 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 efforts is supported by the Group's Management Board and implemented in the field by the operating teams.

An annual "commitment to environmental compliance" letter attests to the involvement of operating management (CEOs of the business units), which undertakes to provide quality information on environmental reporting that complies with definitions and is checked, verified and validated.

6.8.1.2 Health protection

WATER: QUALITY MONITORING

Concern for consumers' health is the motive for the implementation of major control mechanisms within the Group, as well as for the methods and tools for preventing potential health crises. The Group's sites are subject to systematic surveillance, for example via remote monitoring and a round-the-clock operating alert system.

In addition to these ongoing control procedures, the Group maintains a health crisis management policy to prevent crises from impacting water production and distribution. Susceptible critical activities and personnel are identified to ensure service continuity.

Regulations defining quality standards develop in response to the identification of new risks. France has been campaigning for several years to eliminate lead pipe systems by 2013, so the Group offers its clients replacements for lead pipelines and pipe systems (such additional works are the subject of contractual renegotiation). However, the Group cannot exclude the possibility that this policy will be inadequate to achieve its targets due to the presence of lead in pipes for which its customers themselves are responsible and over which the Group has no control.

Aside from bacteriological and physicochemical criteria, certain "emerging" substances (i.e. chemical molecules, endocrine disruptors etc.) are of particular concern to experts and operators in the water and environment sector. The Group has put in place specific research programs in this area so as to be better able to detect, monitor, understand and handle such new molecules.

Wastewater treatment helps to reduce the resulting concentrations of organic material, nitrogen and phosphorus released into the natural environment.

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The indicators set out below show measures put in place by the Group in order to limit the release of substances linked to its activity in water and soil:

Indicators	2011 data
WASTE	
Quantity of leachates treated	2.9 M m ³
WASTEWATER TREATMENT	
Purification yield on organic substances in BOD	91%
Reuse of sludge recovered	64%

WASTE: CONTROLLING AIR EMISSIONS

In the waste sector, all 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

The indicators below show the Group's performance in emissions of main pollutants:

Indicators	2011 data
INCINERATION (NON-HAZARDOUS WASTE)	
SO _x emissions	380 t
NO _x emissions	4,126 t
Emissions of dust and particles	39 t
HAZARDOUS WASTE TREATMENT	
SO_x emissions	57 t
NO _x emissions	545 t
Emissions of dust and particles	17 t

WATER AND WASTE: LIMITING NOISE AND ODOR POLLUTION

SUEZ ENVIRONNEMENT (through its R&D, innovation and performance department) has recently developed "NOSE", a service that objectively evaluates and models the impact of the olfactory footprint of wastewater collection and treatment activities and sites, sludge recovery and 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 m³ (UO.m³) and thus meeting regulatory requirements (footprint below the threshold of five units of odor per m³) where such requirements exist.

Sita is also experimenting with new solutions for reducing noise nuisances and limiting the CO_2 emissions of its collection activities. For example, Sita France uses hybrid-powered domestic garbage collection vehicles as well as 100% electric vehicles. In 2011, Sita and ROS ROCA won the first contract to design and build a pneumatic household waste collection system in Vitry-sur-Seine, France.

6.8.1.3 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 increasing incidences of drought, climate change risks adding to such pressure.

Water is a very unevenly distributed resource that must be protected. Some countries have already experienced water stress situations, which are harder to manage when the country is at a low level of economic development. By 2025, two-thirds of the world's population may be living in regions affected by strains on the water supply, particularly the Middle East and certain regions of Africa, Asia and Latin America.

Reduction in water usage has received particular attention all across the world through programs to manage demand. These include infrastructure measures (reducing leaks) and other measures

Group environmental, corporate and social responsibility policy

targeting user behaviour, such as putting in place rate structures to encourage water savings and implementing 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) to 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, the upkeep of public parks and even the replenishment of groundwater reserves is likely to increase significantly in the years to come.

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 3 specific categories:

 optimization of existing water resources by close status monitoring, ongoing precautionary sampling and encouraging users to consume water intelligently. The Group works to limit water wastage - since the resource is scarce and increasingly costly to produce, particularly in highly water-stressed regions – by reducing leaks in water distribution systems and improving yield. Furthermore, awareness initiatives encourage users to change their behaviour and use water more responsibly.

- protection of water resources to prevent deterioration. Preventing
 pollution by controlling the quality of water released into the
 natural environment and by monitoring protected zones are key
 priorities in the protection of water resources.
- development of alternative sources by, for example, reusing water, replenishing water tables and desalinating seawater are options proposed where conditions so require.

For example, an irrigation system for green spaces that uses treated wastewater has been set up in Alicante.

The indicators featured below concern water consumption linked to the Group's processes:

Indicators	2011 data
WASTE:	
Water consumption	9 M m ³
WATER (DRINKING WATER)	
Linear Loss Rate*	13.8 m³/km/day
Technical yield of drinking water supply networks	72.8%

*Excluding Agbar: 9.3 m³/km/day

SORTING AND RECYCLING

In the waste sector, resources are preserved through the development of waste recovery and recycling, as shown in the following indicators:

Indicators	2011 data
Number of sorting/recycling centres	366
Tonnage received at sorting centres	12 M t
Tonnage of materials recovered from sorting centers (excluding monoflow)	7.7 M t
Rejection rate	36%
Tonnage sent directly to recycling plants after collection (from waste collection centres, drop-off centres, transfer	
stations) without passing through a sorting/recycling centre	3.6 M t
Other flows of recycled materials returned to the market	4.1 M t

In addition to household, industrial and commercial waste sorting centres, facilities for recovering already-separated materials (metals or plastics, for example) have also been developed and supply recycling plants directly.

In its waste recycling activities, SUEZ ENVIRONNEMENT has set itself the objective of improving its materials recovery rate from household

and non-hazardous industrial waste in order to return continually increasing quantities of secondary raw materials and compost to the market.

Sita continues to develop solutions for eliminating non-recoverable residual waste (which cannot be transformed into a resource) under conditions that respect the environment and are affordable.

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SOIL REMEDIATION

In its activities, the Group is intensifying its efforts to clean up contaminated soil that it has been tasked with rehabilitating. A specialized subsidiary, Sita Remediation, runs cleanup activities involving the rehabilitation of contaminated soil for both the private sector and

public authorities. These treatments are conducted either in situ or by excavating and transporting the soil to the appropriate Group-owned plants. For example, Sita FD, a subsidiary of Sita France, has developed multimodal treatment platforms capable of treating most of the pollutants encountered, including hydrocarbons, non-biodegradable organic substances, organic materials and heavy metals.

Indicators	2011 data
Tonnage of soil treated/recovered	1,009,493 t

This treatment is performed under close environmental supervision with traceability, which enables all parties involved in the procedure to be more responsible for their actions.

6.8.1.4 Energy management

ENERGY EFFICIENCY

The issue of energy efficiency is addressed by Commitment 4 of the current Sustainable Development Policy: "Improve energy efficiency." The Group's contribution to reducing energy consumption leads to a reduction in greenhouse gas emissions. The Group strives to improve the energy efficiency of all the processes it manages. Specifically, the Group focuses on reducing consumption related to waste collection and transportation activities, street cleaning and wastewater treatment activities, for which it operates a fleet of over 12,100 trucks. It strives to reduce fuel consumption by optimizing collection rounds (frequency and distance travelled, for example), buying new engines and training drivers to drive in ways that save fuel.

It should be noted that SUEZ ENVIRONNEMENT reports that its activities are increasingly energy-intensive due to improvements in the services rendered (more effective pollution treatment and a

greater proportion of waste recovered), partly to tackle growing amounts of pollution (requiring ever more technical treatment solutions) and partly to meet the ever-increasing stringency of environmental regulations. Improving the energy efficiency of its processes is therefore a challenge.

RENEWABLE ENERGY

"Increase and promote energy generation from renewable sources" is Commitment 5 of the Group's current Sustainable Development Policy.

The total useful energy produced (electricity from renewable sources plus thermal energy sold) from incineration plants, methanization plants and biogas recovery from landfills and sewage plants has remained relatively steady in recent years, at about 3,000 GWh.

Some 6.35 million metric tons of household and municipal waste were incinerated, the energy from which was recovered in the form of 2,622 GWh of electricity produced and 1,610 thermal GWh sold.

This output should be compared with SUEZ ENVIRONNEMENT's electricity consumption:

Indicators	2011 data
Electricity consumption (waste)	551 GWh
Electricity consumption (water)	3,705 GWh

6.8.1.5 Preventing climate change

REGULATORY FRAMEWORK FOR CLIMATE CHANGE

Internationally, and in the European Union in particular, recent years have seen significantly more stringent regulations on reducing ${\rm CO_2}$ emissions and other greenhouse gases (GHG).

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 2003/87/EC of the European Parliament and of the Council of October 13, 2003 relating to the European Union Emissions Trading Scheme (EU ETS). The EU ETS Directive, which sets the European market for quotas, affects almost 12,000 facilities in Europe and has an impact on almost 50% of European CO₂ emissions.

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Directive 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 EU ETS Directive, established the means whereby companies could use emission 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 EU ETS system. The transposition of this European directive into the national laws of the 27 Member States defines the utilization limits and practical conditions through which projects are submitted for approval.

In France, Decree 2011-829 - Article 75 of the Grenelle 2 Law - of July 11, 2011 relating to greenhouse gas emissions and the Energy-Climate Package (PCET) requires companies with more than 500 employees to produce an annual greenhouse gas emission report. This decree sets the framework of legal obligations and defines the content of the report and how it must be made available.

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 possible to avoid contributing to global warming.

MITIGATING THE IMPACT OF CLIMATE CHANGE

More than three-quarters of SUEZ ENVIRONNEMENT's greenhouse gas emissions are related to its waste activities (virtually all of these emissions being directly linked to landfill and waste incineration operations). The remainder, related to its water activities, consist mainly of indirect emissions linked to the electricity consumption of various processes. SUEZ ENVIRONNEMENT is therefore committed to curbing its emissions by:

- · designing infrastructures that allow it to limit methane emissions by collecting biogas at landfill sites (direct emissions);
- · innovating in the waste collection sector and innovatively managing Group-operated facilities.

This challenge is formalized by Commitment 3 of SUEZ ENVIRONNEMENT's Sustainable Development Policy: "Reduce greenhouse gas emissions." The following indicators show the Group's direct and indirect greenhouse gas emissions:

Indicators	2011 data
Direct GHG emissions, waste sector	6.16 M t CO ₂ eq.
Indirect GHG emissions, water sector	1.18 M t CO ₂ eq.

The search for energy savings (see Section 6.8.1.4) automatically entails a reduction in greenhouse gas emissions. Moreover, efforts have been made to use alternative fuels that do not contribute as much to the greenhouse effect, such as biofuels, gas and electricity.

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 a major 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 greater warming potential than CO₂ that can be recovered to produce electricity, heat or fuel for vehicles. If it is not collected, methane is collected and burnt in flare towers.

In 2011, the Group continued its efforts to improve and spread the collection and recovery of biogas from its landfills.

Indicators Proportion of waste disposed of in landfills equipped with a biogas collection and treatment system 96%

ADAPTING TO CLIMATE CHANGE

SUEZ ENVIRONNEMENT's businesses can provide solutions to the challenge of adapting to the impact of climate change. Water in particular lies at the heart of this issue. SUEZ ENVIRONNEMENT and its subsidiaries supply their customers with products and

services in order to continue growing in a world constrained by the impact of global changes, particularly urban ones. Integrating the management of water resources, maximizing network yields, developing, securing and diversifying alternative water sources, and managing wastewater and stormwater in a way that is

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adapted to the constraints of the receiving environment are some of the services offered by SUEZ ENVIRONNEMENT's subsidiaries to help their customers adapt to the risks associated with the impact of climate change.

SUEZ ENVIRONNEMENT constantly strives to transfer its know-how and to fund adaptation, particularly in emerging markets, which are most heavily hit by the anticipated effects of climate change. SUEZ ENVIRONNEMENT has expertise in all public-private partnership business models, which allow developing countries to implement water and waste management services that are resilient and adapted to the expected effects of climate change. Last but not least, SUEZ ENVIRONNEMENT contributes to the training of administrative and technical managers ("capacity building") for water and waste operations through its training and sponsorship programs. Established in 2009 at the Institut de France, the "Paris Tech - SUEZ ENVIRONNEMENT - Water for All" Business Chair aims to contribute to developing research and training for the advancement and dissemination of knowledge, know-how, operational management practices and the techniques needed to improve access to water and sanitation in emerging and developing countries.

6.8.1.6 Protection of biodiversity and ecosystems

SUEZ ENVIRONNEMENT acts to protect biodiversity in the service of local authorities and industry. The Group's activities in offering water and waste treatment solutions limit the physical, chemical and biological impact that human activities would have on the

environment, if not for the treatments provided by the Group. Nonetheless, the Group (which manages facilities that are considered establishments classified for environmental protection) increasingly incorporates the preservation of natural heritage into its sites' operating practices and carries out biodiversity impact assessments for all major activity developments. Biodiversity risk prevention plans are prepared for various sensitive sites in partnership with local stakeholders and organizations specializing in the protection of nature (MNHN – the French National Natural History Museum; FNE – France Nature Environnement; LPO – League for the Protection of Birds etc.).

In France, SUEZ ENVIRONNEMENT adheres to the National Biodiversity Strategy (SNB), which reinforces the Group's commitment to reversing biodiversity loss.

6.8.1.7 Environment-related expenditure

EXPENDITURE RELATED TO ENVIRONMENTAL PROTECTION

By the very nature of its activities, the Group has a direct impact on the environment. It is therefore not relevant to distinguish between spending that impacts the environment directly and spending that impacts it indirectly.

Spending aimed at preventing the environmental consequences Group operations are varied, and include investments to render facilities compliant, spending on employee training in environmental protection, costs associated with environmental certification programs and investments in R&D to reduce the environmental impact of the Group's activities (R&D spending is shown in Section 11).

Specifically, the Group establishes provisions intended to cover the expense of long-term monitoring of landfills after they have been decommissioned and closed, in accordance with European regulations. Other provisions are also established to deal with potential environmental risks:

Indicators	2011 data
Provisions for site closure and post-closure	€567.0 million
Provisions for environmental risks	€8.5 million
Provisions for dismantling non-nuclear facilities	€11.3 million

EXPENDITURE RELATED TO ENVIRONMENTAL INCIDENTS

The following table shows complaints, convictions and compensation for incidents impacting the environment and caused by Group activities:

Indicators	2011 data
Formal complaints (related to incidents impacting the environment)	39
Convictions for environmental damage	16
Compensation paid as a result of convictions for environmental damage	€243,000

6.8.2 **Employee relations policy**

The Group's employee relations policy is described in the following sections of this Reference Document:

Topic	Corresponding chapter(s) and section(s)
Employment	Chapter 17, Sections 17.2.1, 17.2.2, 17.4 and 17.5
Organization of work	Chapter 17, Section 17.2.2
Employee relations	Chapter 17, Section 17.1.3
Health and safety	Chapter 17, Sections 17.1.5 and 17.2.2
Training	Chapter 17, Sections 17.1.3 and 17.2.3
Equal opportunity	Chapter 17, Sections 17.1.4 and 17.2.2
Promotion of and compliance with the core conventions	
of the International Labor Organization	Chapter 6, Section 6.8.3 (next section)

6.8.3 Corporate social commitments to sustainable development

TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF **OPERATIONS**

As a public services operator, SUEZ ENVIRONNEMENT is deeply involved in the territories in which it operates.

Its operations in developing countries are a key contributor to SUEZ ENVIRONNEMENT's attainment of its Millennium Goals. Indeed, since 1990 the Group has helped an additional 11.8 million people to be connected to drinking water systems and an additional 5.7 million to have access to sanitation services.

SUEZ ENVIRONNEMENT also intends to actively participate in the economic and social life (jobs, economic and social insertion, regional attractiveness etc.) of communities in which the company operates, and to establish itself as a partner to local authorities and businesses in their sustainable development initiatives, insofar as they relate to the Group's activities.

SUEZ ENVIRONNEMENT is committed to an ambitious jobs policy, with the objective of offering young people from deprived neighbourhoods personalized support to allow them to enter mainstream permanent employment or to become entrepreneurs in their own right. This commitment is reflected in the Group's "Equal opportunities, social progress and commitment" program, which promotes access to jobs and economic and social insertion. In this respect, SUEZ ENVIRONNEMENT has created La Maison pour Rebondir (literally: "Bounce-Back House", a halfway-house program) to support people in difficulty, to create social links and to energize economically depressed neighbourhoods by helping young people to find steady jobs or set up their own businesses. This project is fully in line with the Group's public service mission and its role as a partner to local authorities.

The Group's main subsidiaries deploy regional development and employment programs (Sita Rebond, Lyonnaise des Eaux Disability Initiative etc.) in their own particular territories. These societal action plans are developed in consultation with local stakeholders. SUEZ ENVIRONNEMENT also participates in regional development through its procurement policy, in particular as it relates to the protected sector (see the section below on subcontracting and suppliers).

STAKEHOLDER RELATIONS

Dialog with stakeholders, at local and institutional level, is essential for our operational performance. The Group has identified this as the fourth priority in its Sustainable Development Policy: "Involve all stakeholders in fostering our development."

To broaden its thinking, in 2004 the Group set up the Foresight Advisory Council (FAC), which comprises 25 independent environmental and development experts of various nationalities. Twice per year, the Group's Management Board presents its strategy, research and initiatives to the FAC. The experts discuss the issues freely and formulate their own recommendations

To make its stakeholder relations work, SUEZ ENVIRONNEMENT takes a structured approach and organizes regular consultation meetings, at all pertinent levels, to ensure that its corporate strategy matches the expectations of civil society. Since 2007, the Group has organized seven stakeholder sessions between its own central operations departments and a panel of 26 external stakeholders representing French and international civil society (associations, universities, unions, public institutions and ratings agencies). Its subsidiaries are also involved in this institutional review.

At local level, the Group has developed tools to support managers and teams that are in the process of being deployed. These are designed to help local teams understand their territory, analyze their challenges objectively and build action plans that include partnerships and communications that meet the expectations of local players, regardless of the business line (water, sanitation, waste) or type of contract (delegation of services, plant operation etc.) concerned.

Group environmental, corporate and social responsibility policy

LOBBYING

SUEZ ENVIRONNEMENT engages in ongoing dialog with public institutions at local, national, European and international level. As a part of its lobbying activities, the Group regularly communicates with European institutions through position statements, direct contact and sitting on professional bodies. The main issues addressed include such general subjects as public-sector contracts, efficient management of natural resources and the protection and restoration of biodiversity. They also cover issues that are more directly related to the Group's daily operations, such as implementation of the framework guidelines on waste and water, inspection of waste transfer operations, biowaste management, the regulatory framework for the use of sludge as agricultural fertilizer and consumers' rights regarding water utilities.

The Group is registered as an official lobbyist with European institutions.

PARTNERSHIP AND SPONSORSHIP INITIATIVES

To reinforce its regional roots and affirm its social responsibility credentials, the Group operates a partnership and sponsorship policy based on support, dialog and innovation. The actions supported by SUEZ ENVIRONNEMENT focus on three main themes:

- Urban environment and culture, through actions that promote urban socioeconomic development, cultural awareness and access to culture for all, as well as the economic and social insertion of young people in difficulty;
- Environment and biodiversity, through actions focused on protecting the environment and biodiversity and on raising public awareness of these themes;
- · Solidarity, through:
 - The SUEZ ENVIRONNEMENT Initiatives Fund, an endowment fund valued at €4 million in 2011. This fund initiates and supports:
 - projects supporting access to such essential services as water, sanitation and waste treatment in developing countries;
 - projects supporting economic and social insertion.
 - Aquassistance, an association of SUEZ ENVIRONNEMENT employee volunteers.

A range of academic partnerships have been set up in the social sciences. SUEZ ENVIRONNEMENT supports five university chairs in France, and partners with six universities around the world (in China, Spain and the Netherlands). The Group also supports various social science research projects every year.

The Company intends to boost its contribution to this challenge, which involves providing sustainable access to drinking water, sanitation and waste management, by using the experience it has acquired in this field. In these three areas, it intends to reinforce the skills of local players and address the challenges of urban growth in partnership with specialist players and by calling on the extensive know-how of the Group's employees.

SUBCONTRACTING AND SUPPLIERS

SUEZ ENVIRONNEMENT requires its business partners, suppliers and subcontractors to comply with the Group's ethics and environmental and social rules as well as to ensure that their practices are compatible with the Group's commitments.

The Group also operates a responsible procurement policy based on joint efforts to trim costs, reduce the company's environmental impact and require suppliers to comply with sustainable development clauses. Its responsible procurement policy has led to the creation of numerous Group-wide tools and provisions, including:

- · An ethical procurement charter (GDF SUEZ)
- A sustainable procurement policy (waste division)
- Lyonnaise des Eaux's sustainable procurement guide (water division)
- A supplier evaluation questionnaire
- A social and environmental risk control initiative for SUEZ ENVIRONNEMENT's top 100 suppliers.

The contracts signed by SUEZ ENVIRONNEMENT subsidiaries' suppliers now include environmental, corporate and societal criteria that require suppliers to comply with the Group's ethics charter.

The procurement department coordinates technical purchases and related action plans for the Group's main waste and water subsidiaries. The purpose of this international coordination is to:

- conduct negotiations in strategic categories (tires, pumps, centrifuges, lab instrumentation, meters, water conduits etc.);
- develop long-term relationships with strategic suppliers (negotiating framework agreements at Group level, supplier improvement plans etc.);
- ensure that the key suppliers treat sustainable development as a real, properly managed goal;
- manage innovation and ensure that it is coordinated with suppliers and the Group's technical and research functions.

Last but not least, SUEZ ENVIRONNEMENT helps develop a responsible procurement policy that contributes to the protected sector development. The Group's Disability Initiative involves growing the market share of our purchases in the protected sector (occupational rehabilitation centres, adapted businesses) by encouraging the Group's subsidiaries to use this sector when purchasing. The Disability Initiative also aims to support the French National Paralysis Association and the French National Disability Employers Association (HESSOR, D3E, printers etc.) as well as to outsource certain local services (green spaces, administrative services etc.).

ETHICS IN PRACTICE

SUEZ ENVIRONNEMENT has made ethics an indispensable element of global performance improvement. The Group's policy in this respect in described in Section 4.2.5.

HUMAN RIGHTS

The companies that make up SUEZ ENVIRONNEMENT have long been committed to a culture of human rights and human dignity.

SUEZ ENVIRONNEMENT's principles are in line with international standards, in particular:

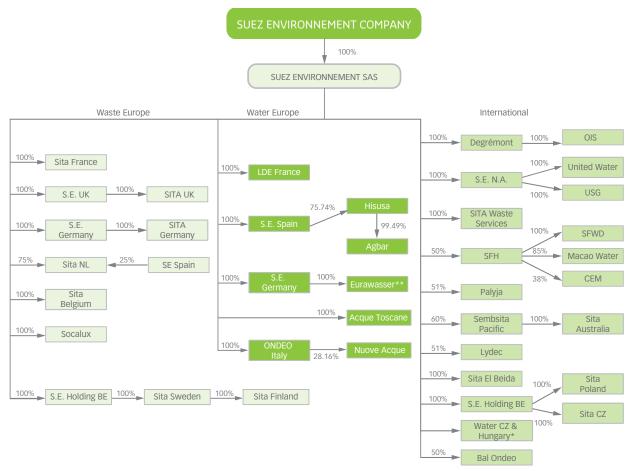
- the Universal Declaration of Human Rights, and additional pacts;
- the International Labour Organization (ILO) conventions;
- the Guidelines for Multinational Enterprises adopted by the Organization for Economic Cooperation and Development (OECD);
- the United Nations Convention against Corruption.

Employees are asked to ensure that their actions and decisions or those of a colleague or Group entity do not injure the integrity or dignity of any person. The Group also strives to consistently defend human rights in sensitive situations, especially with respect to protecting their environment in sensitive areas of the world.

As part of this, every SUEZ ENVIRONNEMENT employee must ensure that he or she does not discriminate in word or deed or in terms of age, gender, ethnic, social or cultural origin, religion, political or union affiliation, personal lifestyle, physical characteristics or disability.



> 7.1 SIMPLIFIED GROUP ORGANIZATION AS OF DECEMBER 31, 2011



^{*}Interests in water companies in Czech Republic and Hungary.
**sale of the subsidiary in February 2012.

PRESENTATION OF THE GROUP'S MAIN SUBSIDIARIES

The presentation of the Group's main subsidiaries is found in Section 6 of this document. Note 26 to the consolidated financial statements in section 20.1 gives the list of the Group's main companies.

ORGANIZATIONAL CHART

Relations with subsidiaries



RELATIONS WITH SUBSIDIARIES

SUEZ ENVIRONNEMENT COMPANY is a holding company. As of December 31, 2011, 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 tax consolidation 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 tax group member companies have entered into tax consolidation agreements. Every year, subsidiaries might leave or enter the tax group; in the latter 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 SUEZ ENVIRONNEMENT SAS level.

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; for fiscal year 2010, these dividends totaled €386 million, and were almost fully paid out in 2011.

In addition, SUEZ ENVIRONNEMENT SAS provides various types of services to the other Group subsidiaries, particularly administrative and financial services, as well as technical assistance. In exchange for these services, SUEZ ENVIRONNEMENT SAS bills the other Group's subsidiaries. In 2011, total compensation received by SUEZ ENVIRONNEMENT SAS in connection with these services was €107 million, versus €76 million in 2010.





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, the United Kingdom and Australia.

Information on the main facilities and plants operated by the Group as of December 31, 2011, is provided in the table below:

Sector	Country	City/Area/State	Activity	Capacity
	Australia	Perth	Desalination Plant	143,000 m³/d
		Sydney (PWP)	Production of drinking water	3,000,000 m ³ /d
	Chile	Santiago	Production of drinking water	2,900,000 m ³ /d
		Santiago	Wastewater treatment plants	1,217,000 m ³ /d
	China	Baoding	Production of drinking water	260,000 m ³ /d
		Changshu	Production of drinking water	675,000 m ³ /d
		Chongqing	Production of drinking water	520,000 m ³ /d
		Chongqing Tangjiatuo	Wastewater treatment plant	300,000 m ³ /d
		Jiangsu Water (Agbar)	Wastewater treatment plant	300,000 m ³ /d
		Macao	Production of drinking water	330,000 m ³ /d
		Qingdao	Production of drinking water	726,000 m ³ /d
		Sanya	Production of drinking water	230,000 m ³ /d
WATER		Shanghaï SCIP	Demineralization	45,000 m ³ /d
WATER		Shanghaï SCIP	Production of water	200,000 m ³ /d
		Shanghaï SCIP	Treatment of industrial wastewater	26,500 m ³ /d
		Tanggu	Production of drinking water	280,000 m ³ /d
		Tanzhou	Production of drinking water	150,000 m ³ /d
		Tianjin	Production of drinking water	500,000 m ³ /d
		Zhengzhou	Production of drinking water	360,000 m ³ /d
		Zhongshan	Production of drinking water	1,000,000 m ³ /d
	Egypt	Gabal El Asfar	Wastewater treatment plants	625,000 m ³ /d
	Spain	Barcelone	Production of drinking water	1,340,000 m ³ /d
		Monte Orgegia	Wastewater treatment plants	60,000 m ³ /d
		Murcia-ESTE	Wastewater treatment plants	125,000 m ³ /d
		Rincon de Leon	Wastewater treatment plants	75,000 m ³ /d
		Valladolid	Wastewater treatment plants	214,000 m ³ /d

REAL ESTATE AND EQUIPMENT

Group real estate and equipment

Sector	Country	City/Area/State	Activity	Capacity
	France	Aubergenville	Production of drinking water	140,000 m³/d
		Bordeaux	Production of drinking water	316,000 m ³ /d
		Cannes	Production of drinking water	242,000 m ³ /d
		Cannes	Wastewater treatment plant	225,000 m ³ /d
		Clos de Hilde	Wastewater treatment plant	100,000 m ³ /d
		Dijon	Production of drinking water	114,000 m ³ /d
		Dijon	Wastewater treatment plant	400,000 m ³ /d
		La Feyssine	Wastewater treatment plant	91,000 m ³ /d
		Le Pecq-Croissy	Production of drinking water	160,000 m ³ /d
		Louis Fargue	Wastewater treatment plant	135,000 m ³ /d
		Marseille (SERAM)	Wastewater treatment plant	325,000 m ³ /d
		Mont Valérien	Production of drinking water	115,000 m ³ /d
		Morsang	Production of drinking water	225,000 m ³ /d
		Nantes (Tougas)	Wastewater treatment plant	111,500 m ³ /d
		Nice (Haliotis)	Wastewater treatment plant	220,000 m ³ /d
WATER		Strasbourg	Wastewater treatment plant	180,000 m ³ /d
WAILK		Valenton	Wastewater treatment plant	600,000 m ³ /d
		Viry Chatillon	Production of drinking water	120,000 m ³ /d
	Hungary	Budapest	Production of drinking water	960,000 m ³ /d
	India	Chembarambakkam	Production of drinking water	530,000 m ³ /d
		Sonia Vihar	Production of drinking water	635,000 m ³ /d
	Indonesia	Jakarta	Production of drinking water	450,000 m ³ /d
	Italy	Milan San Rocco	Wastewater treatment plant	777,600 m³/d
	Mexico	Ciudad Juarez	Wastewater treatment plant	300,000 m ³ /d
	Wextee	Culiacan	Wastewater treatment plant	150,000 m³/d
	Czech Republic	Brno	Production of drinking water	247,000 m ³ /d
	United Kingdom	Bristol	Production of drinking water	560,000 m ³ /d
	USA		_	
	USA	Haworth	Production of drinking water	624,000 m³/d
		Idaho	Production of drinking water	397,000 m ³ /d
		Indianapolis	Wastewater treatment plant	928,000 m ³ /d
		New Rochelle	Production of drinking water	230,000 m ³ /d
	Germany	Cröbern	Pre-treatment of household waste	300,000 t/yr
		Cröbern	Treatment of polluted soil	750,000 t/yr
		Laar/Coevorden	Waste incineration	364,000 t/yr
		Zorbau	Waste incineration	300,000 t/yr
	Australia	Cairns	Composting	110,000 t/yr
		Eastern Creek	Non-hazardous landfill	550,000 t/yr
		Elizabeth Drive	Non-hazardous landfill	450,000 t/yr
		Lucas Heights	Non-hazardous landfill	575,000 t/yr
WASTE		Melbourne	Non-hazardous landfill	400,000 t/yr
		Mindarie	Pre-treatment of household waste	100,000 t/yr
		Sydney (EDL)	Hazardous and non-hazardous landfill	350,000 t/yr
		Wingfield	Pre-treatment of waste for RDF production	180,000 t/yr
	Belgium	Beveren ROX	Waste incineration	350,000 t/yr
		Bruxelles - Laken	Pre-treatment of household and commercial waste	200,000 t/yr
		Grimbergen	Treatment of polluted soil and hazardous waste	300,000 t/yr
		Lodelinsart	Pre-treatment of household waste	230,000 t/yr
		Sleco	Fluidized bed waste incineration	466,000 t/yr
	China	Hong Kong – NENT	Non-hazardous landfill	810,000 t/yr
		Hong Kong – WENT	Non-hazardous landfill	2,150,000 t/yr
		Shanghaï SCIP	Hazardous industrial waste incineration	60,000 t/yr

REAL ESTATE AND EQUIPMENT

Group real estate and equipment

Sector	Country	City/Area/State	Activity	Capacity
	France	Argenteuil	Waste incineration	185,000 t/yr
		Bègles	Waste incineration	255,000 t/yr
		Bessières	Waste incineration	170,000 t/yr
		Carrières sur Seine	Waste incineration	140,000 t/yr
		Créteil	Waste incineration	235,000 t/yr
		Gennevilliers	Pre-treatment of household waste	190,000 t/yr
		Hersin-Coupigny	Non-hazardous landfill	600,000 t/yr
		Issy-les-Moulineaux	Waste incineration	460,000 t/yr
		La Roche-Molière	Non-hazardous landfill	500,000 t/yr
		Lagny	Waste incineration	150,000 t/yr
		Les Aucrais	Non-hazardous landfill	300,000 t/yr
		Lyon	Waste incineration	150,000 t/yr
		Pont-de-Claix	Hazardous industrial waste incineration	70,000 t/yr
		Roussillon	Hazardous industrial waste incineration	115,000 t/yr
		Satolas	Non-hazardous landfill	300,000 t/yr
		Vedène	Waste incineration	180,000 t/yr
		Villeparisis	Hazardous landfill	250,000 t/yr
		Villeparisis	Treatment of polluted soil	60,000 t/yr
		Villers-St-Paul	Waste incineration	157,000 t/yr
WASTE		Ivry-sur-Seine	Waste incineration	670,000 t/yr
	The Netherlands	Roosendaal	Waste incineration	260,000 t/yr
		Rotterdam	Pre-treatment of household waste	250,000 t/yr
	Poland	Radom	Pre-treatment of industrial waste	95,000 t/yr
		Ryman	Non-hazardous landfill	220,000 t/yr
		Starol	Pre-treatment of industrial waste	160,000 t/yr
	Czech Republic	Spovo	Hazardous waste incineration	18,000 t/yr
		Usti	Hazardous and non-hazardous landfill	75,000 t/yr
	United Kingdom	Albury	Non-hazardous landfill	420,000 t/yr
	orinea kingaom	Billingham-Teesside	Waste incineration	193,000 t/yr
		Cleveland	Waste incineration	263,000 t/yr
		Clifton Marsh	Non-hazardous landfill	525,000 t/yr
		Fareham	Pre-treatment of non hazardous waste	300,000 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
	Taiwan	Ren Wu	Waste incineration	380,000 t/yr

The Group also has numerous assets, particularly for its water business, which are governed by service agreements with a limited term and 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 takeover by the client or the Group's successor once the contract has ended. 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 almost always controls the assets needed for the operations and provides for their maintenance and renewal, as necessary.

REAL ESTATE AND EQUIPMENT

Environmental constraints that may affect the Group's use of its fixed assets



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 6.8.1 of this Reference Document.

FINANCIAL REVIEW

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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.



GENERAL INFORMATION

9.1.1 Introduction

In 2011, SUEZ ENVIRONNEMENT posted strong revenue growth (+6.9%). This increase was supported by organic growth of +5% to which all segments contributed.

This revenue growth was accompanied by a +7.4% increase in **EBITDA** and a +1.4% increase in current operating income (+7.6% and +1.7% excluding foreign exchange rate impact, respectively). The cost optimization program (COMPASS) contributed €130 million in 2011. Current operating income grew less than EBITDA, mainly due to the provisions recorded for the Melbourne desalination plant.

Net income Group share was €323 million, down €242 million from 2010. This decline mainly reflects gains on disposals and remeasurement (in accordance with IFRS 3 Revised) recognized in the first half of 2010 (unwinding of jointly-held interests in the water business in France and the friendly takeover of Aguas de Barcelona) and the impact in 2011 of the Melbourne desalination plant (€237 million).

Free cash flow(1) before disposals and development investments was €860 million, up +1% versus 2010. Working capital requirement was slightly higher this year (€65 million).

Net financial debt was €7,557 million as of December 31, 2011, and relatively unchanged from December 31, 2010. This performance is explained by the higher free cash flow compared to 2010, which funded net development investment in full. Net debt amounted to 110.9% of total equity at the end of 2011 versus 113.6% at the end of 2010. The net debt/EBITDA ratio was 3.0 at the end of 2011 versus 3.2 at the end of 2010.

A resolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2011 to pay a dividend of €0.65 per share, totaling €330 million⁽²⁾, subject to approval by the Shareholder's Meeting on May 24, 2012.

⁽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 2010 was €852 million.

⁽²⁾ Based on the number of shares as of December 31, 2011, excluding treasury shares.

9.1.2

Significant events in the period

ACQUISITION OF WSN ENVIRONMENTAL SOLUTIONS (AUSTRALIA)

On February 1, 2011, SUEZ ENVIRONNEMENT, through its 60% subsidiary Sita Environmental Solutions (Sita Australia), purchased WSN Environmental Solutions (WSN), a company active in waste management, from the government of New South Wales for AUD 234.4 million. This acquisition supplements Sita Australia's recycling and treatment capacity.

As of December 31, 2011, the accounting treatment of the business combination was final (see Note 2 to the consolidated financial statements).

SALE OF BRISTOL WATER BY AGBAR

On October 5, 2011, SUEZ ENVIRONNEMENT sold 70% of the regulated activity of Bristol Water, a UK drinking-water distribution company, via its subsidiary Agbar. The transaction was concluded for a consideration of GBP 131.5 million (€152 million).

SUEZ ENVIRONNEMENT retains a 30% interest in the regulated activity, which will now be consolidated as an equity associate and retains a presence in the UK water market by pursuing development in the non-regulated sector.

As this transaction was recognized according to IAS 27 (§34) principles, the capital gain net of costs on the portion sold was €57 million and the capital gain on remeasurement at fair value of the previously held residual portion was €31 million. The impact on net income Group share was €40 million (see Note 2 to the consolidated financial statements)

AGREEMENT TO SELL EURAWASSER

On December 8, 2011, SUEZ ENVIRONNEMENT signed an agreement to sell the German subsidiary Eurawasser, a specialist in drinking-water distribution and wastewater treatment, to the Remondis Group. This transaction, concluded for €95 million, was finalized in February 2012, after approval by the relevant competition authorities.

Eurawasser operates water and wastewater concession contracts and maintenance contracts, and has interests in public-private corporations. The company provides services to over 800,000 people and earned 2011 revenues of €73 million.

REORGANIZATION OF GROUP ACTIVITIES IN CHINA

As part of reorganization of the Group's activities in the water sector in China, Agbar sold its interest in Jiangsu Water to SFWD (Sino French Water Development), a subsidiary of SFH (Sino French Holdings), a company 50%-owned by the Group. Jiangsu Water is now proportionally consolidated by SFWD at 50%.

SALE OF DEGREMONT HEAD OFFICE

On June 1, 2011, Degrémont sold its head office at Rueil-Malmaison (Paris area) for €40 million (excluding transfer fees and duties).

MELBOURNE DESALINATION PLANT CONTRACT

In July 2009, in partnership with Thiess (Leighton Group, a leading Australian civil-engineering company), Degrémont won a 30-year contract to build and operate a major seawater desalination plant near Melbourne with a capacity of 450,000 m³/day and representing €1.6 billion in revenue for the Group.

Construction work began in September 2009. However, site progress was constantly and significantly impacted by (i) major weather events and (ii) particularly acute union action (persistent social unrest and low productivity).

All the teams were mobilized to complete the site work as quickly as possible.

The impact of the above events on the contractual timeline should delay the projected dates for acceptance and commissioning by several months. Consequently, in 2011, SUEZ ENVIRONNEMENT posted an expense that impacted current operating income by $-\text{\ensuremath{\in}}262$ million and net income by $-\text{\ensuremath{\in}}237$ million.

Degrémont and its partner Thiess estimate that the delay to the contractual timeline and the resulting financial consequences are only partially attributable to themselves, and they are determined to exert their rights to obtain an extension to the timeline as well as financial compensation. Claims have already been filed in this respect (see Note 24 to the consolidated financial statements).

COMBINED BOND EXCHANGE AND TENDER OFFERS AND NEW BOND ISSUE

On May 5, 2011, SUEZ ENVIRONNEMENT COMPANY launched combined bond exchange and tender offers on its 2014 bond, issued in 2009 and bearing a fixed coupon of 4.875%. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity.

This operation was fully accomplished on May 17, 2011. As a result of the process, €338 million in 2014 bonds was redeemed and exchanged as part of the issue of a 10-year bond tranche for a total of €500 million, bearing a fixed coupon of 4.078%.

Income statements analysis

This tranche, for a total of €500 million, bearing a fixed coupon of 4.078%, was further extended on September, 14, 2011, with a new issue of €250 million.

In November 2011, SUEZ ENVIRONNEMENT COMPANY completed a seven-year private placement of €100 million bearing a coupon of 3.08%.

In December 2011, SUEZ ENVIRONNEMENT COMPANY also completed an inaugural issue in pounds sterling in the amount of GBP 250 million, bearing a coupon of 5.375% maturing in November 2030.

SCRIP DIVIDEND

The option to pay a scrip dividend, ratified by the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting on May 19, 2011, was taken up by 78.4% of shareholders, resulting in 19,008,731 shares being created, which increased capital by 3.9%. The issue price of these shares under the scrip dividend option was set at €13.03.

2011 SHARING PLAN

In September 2011, SUEZ ENVIRONNEMENT launched SHARING, its first share subscription offer reserved for 76,000 employees in 19 countries. The offer aims to develop employee shareholding within the Group. The operation was completed on December 8, 2011 with the creation of 9,896,038 new shares.



9.2.1 **Explanation of main items**

REVENUES

Revenues generated by water supply are based on volumes delivered to customers that are either individually 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 authorities 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 rendered by the operator, plus the additional revenues from recovery operations, such as the sale of raw materials for sorting centers (paper, cardboard, glass, metals, plastics etc.) 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 according to either the proportion that costs incurred to date represent in the estimated total cost of the contract or the physical progress of the contract, based on such factors as contractually defined milestones.

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 subtotal that 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 mark-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 payments (IFRS 2)(1)
- Net disbursements under concession contracts(2)

EBITDA

- (1) This item includes the allocation of stock options, bonus shares and payments made by the Group in relation to Company savings plans (including employer's matching contributions or matching shares).
- (2) This item corresponds to the sum of the renewal expenditure relating to concessions and to the evolution of assets and liabilities for concession renewals.

The reconciliation of current operating income to EBITDA for 2011 and 2010 is set out in Note 3.4 to the consolidated financial statements.

9.2.2 Comparison of fiscal years ended December 31, 2011 and 2010

In millions of euros	2011	2010
Revenues	14,829.6	13,869.3
Purchases	(3,439.5)	(3,572.9)
Personnel costs	(3,663.3)	(3,290.8)
Depreciation, amortization and provisions	(1,178.8)	(1,026.8)
Other operating income and expenses	(5,508.6)	(4,954.0)
CURRENT OPERATING INCOME	1,039.4	1,024.8
Mark-to-market on operating financial instruments	(4.5)	1.0
Impairment on property, plant and equipment, intangible and financial assets	(69.0)	(85.2)
Restructuring costs	(39.9)	(82.8)
Scope effects	122.4	366.4
Other gains and losses on disposals and non-recurring items	43.4	(2.9)
INCOME FROM OPERATING ACTIVITIES	1,091.8	1,221.3
Financial expenses	(556.9)	(508.2)
Financial income	152.1	94.6
NET FINANCIAL INCOME	(404.8)	(413.6)
Income tax expense	(174.2)	(119.0)
Share in net income of associates	37.4	31.4
NET INCOME	550.2	720.1
OF WHICH NON-CONTROLLING INTERESTS	227.4	155.4
NET INCOME GROUP SHARE	322.8	564.7

Income statements analysis

OTHER INCOME STATEMENT ITEMS:

In millions of euros	2011	2010
EBITDA	2,512.9	2,339.4

REVENUES

In millions of euros	2011	2010	Change	% change
Water Europe	4,205.7	4,123.9	81.8	2.0%
Waste Europe	6,416.6	5,862.7	553.9	9.4%
International	4,197.2	3,867.9	329.3	8.5%
Other	10.1	14.8	(4.7)	-31.8%
REVENUES	14,829.6	13,869.3	960.3	6.9%

An inter-segment reclassification was applied to 2010 revenue to reflect the transfer of OIS from Water Europe to International.

SUEZ ENVIRONNEMENT posted revenues of €14,830 million in 2011, up +6.9% versus 2010. This €960 million increase breaks down as follows:

- organic growth of +€700 million (+5.0%) driven by all three operating segments. The Waste Europe segment grew the most sharply (+9.0%), with high levels of business activity in all countries: in France, in the Benelux/Germany region and in the United-Kingdom/Scandinavia region, driven in particular by sorting/recycling and energy recovery activities. The Water Europe segment posted organic growth of +2.9% mainly due to a positive price effect throughout the entire segment, and increased volumes in Chile. The International segment also improved (+1.6%) due in particular to the dynamism of the Asia-Pacific and North America regions and despite the difficulties encountered on the Melbourne desalination plant contract;
- positive scope effects in the amount of +€262 million mainly reflecting the acquisition of WSN Environmental Solutions, which strenghtens waste treatment operations in Australia;
- relatively neutral translation adjustments of -€1 million, the positive impact of the Australian dollar (+€56 million), offsetting the negative impact of other currencies, primarily the US dollar (-€34 million) and the pound sterling (-€11 million).

As of December 31, 2011, 36% of the Group's revenue was generated in France, 71% in Europe and 84% in Europe, North America and Australia.

Water Europe

The Water Europe segment contributed €4,206 million to Group revenue in 2011, up €82 million (an increase of +2%).

Water Europe posted organic revenue growth of +2.9% (€118 million) thanks to:

- organic growth of +3.3% at Lyonnaise des Eaux (+€72 million). This improvement was due to the growth in wastewater treatment business, a positive price impact on concession contracts and dynamic sales in civil works and services, despite a negative volume effect (-0.7%);
- organic growth of +2.4% at Agbar (+€46 million), essentially driven by water price rises in Spain and Chile as well as increased volumes in Chile (+3.1%) and Spain (+0.5%). These positive factors were partially offset by a decline in civil works activity in Spain.

Waste Europe

The Waste Europe segment contributed €6,417 million to Group revenues in 2011, up €554 million (+9.4%) versus 2010.

Organic growth of +9.0% (+€526 million) mainly relates to:

- · the strong rise, in all countries, of sorting/recycling activities, which benefited from very favorable price effects and increasing volumes over all;
- · volumes treated through energy recovery also rose sharply, mainly due to the lvry contract won in France and the commissioning of a new plant in the Benelux/Germany region;
- · landfilled volumes declined, more or less sharply depending upon the geographical region.

Revenues were up in all countries: France (+9.8%, +€319 million); Benelux/Germany (+8.6%, +€128 million) and United-Kingdom/ Scandinavia (+7.0%, €79 million).

Overall, total volumes treated by the Group in Europe were up 3.4% in 2011.

International

The International segment contributed €4,197 million to Group revenues in 2011, up €329 million (+8.5%) versus 2010.

Organic growth was \leq 61 million (+1.6%), reflecting the following trends:

- Degrémont decreased organically by -€83 million (-5%) as a result of contractual deadline overruns at the Melbourne desalination plant. Excluding this item, Degrémont's organic growth was +3%, driven by various contracts, mainly in the Asia-Pacific region;
- Continuing dynamic activity in the Asia-Pacific region (+€78 million, +9.8%). In Australia, growth in collection and treatment activities was driven by both higher prices and increased volumes. Collection activities also benefited from the exceptional clean-up efforts following the floods in Queensland and the treatment of larger volumes at SAWT (commissioned in 2010), as well as the restarting of the Cairns facility. In China, activity continued to be sustained by increased volumes in the water market, mainly from concession and industrial joint ventures, as well as by growth in the volumes of electricity sold in Macao. Waste activities grew in China, driven by price increases related to indexation as well as higher prices in energy recovery;
- Growth in the Central Europe North Africa Middle East region of €23 million (+2.8%), with steady growth in Morocco and on the Algiers management contract;
- Growth in North America (+€42 million, +6.8%), despite declining volumes, reflected net positive sales in non-regulated activities and positive price effects in regulated activities.

The external acquisitions also contributed to revenue growth in the International segment (+€270 million, mainly due to the acquisition of WSN Environmental Solutions in Australia's waste market).

Foreign exchange effects had no significant impact (net -€1.4 million overall). The decline in the US dollar was offset by the rise of the Australian dollar.

Other

The Other segment contributed €10 million to Group revenues in 2011 versus €15 million in 2010.

OPERATING EXPENSES

Purchases

Purchases amounted to €3,440 million in 2011, down €133 million (-3.7%) from 2010, mainly due to the implementation of the COMPASS cost optimization program.

Personnel costs

Personnel costs were \in 3,663 million in 2011, up \in 373 million (+11.3%) versus 2010 (for a breakdown of personnel costs, see Note 4.2 to the consolidated financial statements).

Depreciation, amortization and provisions

Net allocation to amortization, depreciation and provisions was \in 1,179 million in 2011, up \in 152 million versus 2010, mainly due to scope effects in the amount of \in 47 million relating to Agbar and Sita Australia and the impact of the provision for the Melbourne desalination plant contract.

Other operating income and expenses

Other operating income and expenses were -€5,509 million in 2011, up €555 million versus 2010.

Income statements analysis

CURRENT OPERATING INCOME

In millions of euros	2011	2010	Change	% change
Water Europe	608.3	490.1	118.2	24.1%
Waste Europe	387.7	348.6	39.2	11.2%
International	130.8	321.7	(190.9)	-59.3%
Other	(87.4)	(135.6)	48.2	+35.6%
CURRENT OPERATING INCOME	1,039.4	1,024.8	14.6	1.4%

An inter-segment reclassification was applied to 2010 current operating income to reflect the transfer of OIS from Water Europe to International.

The Group's current operating income was €1,039 million in 2011, up €15 million from 2010. This rise breaks down as follows:

- negative organic growth of -€43 million (-4.2%) due to a decline in the International segment in the amount of -€198 million, relating mainly to the additional costs recognized by Degrémont on the Melbourne desalination plant contract, which impacted current operating income by €262 million in 2011. This impact is largely offset by the performance of the Water Europe segment in the amount of +€84 million, Waste Europe in the amount of +€53 million and Other in the amount of +€18 million;
- scope effects (mainly in water in Spain and in waste in Australia),
 which were positive overall in the amount of +€60 million;
- a slightly negative foreign exchange effect of -€3 million (mainly due to the depreciation of the US dollar against the euro).

Water Europe

The Water Europe segment contributed €608 million to the Group's current operating income in 2011, up €118 million (+24%) versus 2010.

This improvement reflects positive scope effects in the amount of +€34 million (takeover of Agbar in Spain, offset by exiting from Agbar's healthcare activities and from regulated activities in the United-Kingdom) as well as positive foreign exchange effects in the amount of +€1 million. Organic growth was +€84 million thanks to the combined impact of:

- · higher prices and volumes;
- positive effects of cost optimization programs, particularly in France and Spain.

Waste Europe

The contribution of the Waste Europe segment to the Group's current operating income in 2011 was €388 million, up €39 million (+11.2%) versus 2010. This improvement involved a combination of organic growth (+€53 million), scope effects (-€15 million) and exchange rate effects (+€1 million).

Organic growth was driven mainly by sorting and recycling activities, which benefited from higher secondary raw materials' prices (paper, metal) versus 2010.

Total tonnages collected and treated rose, and the sector benefited from growth in energy recovery activities fuelled by increased volumes.

International

The International segment contributed €131 million to the Group's current operating income in 2011, down €191 million (-59%) from 2010.

The International segment's contribution to current operating income was heavily impacted by losses on the Melbourne desalination plant contract.

This decline includes positive scope effects (+€11 million) mainly due to the consolidation of WSN Environmental Solutions, plus mildly adverse foreign exchange effects (-€4 million).

Organic growth in current operating income in the International segment was -€198 million (-61.4%).

Excluding the Melbourne contract, all regions contributed positively to the organic growth of current operating income. The main contributors were Degrémont, North America, Asia-Pacific waste activities, and the Algiers contract for the Central Europe – North Africa – Middle East region.

EBITDA

In millions of euros	2011	2010	Change	% change
Water Europe	1,212.5	1,037.7	174.8	16.8%
Waste Europe	880.7	839.1	41.6	5.0%
International	470.9	555.5	(84.6)	-15.2%
Other	(51.2)	(92.9)	41.7	-44.9%
EBITDA	2,512.9	2,339.4	173.5	7.4%

Income statements analysis

An inter-segment reclassification was applied to 2010 EBITDA to reflect the transfer of OIS from Water Europe to International.

The Group's EBITDA was €2,513 million in 2011, up €174 million (+7.4%) versus 2010. Excluding foreign exchange effects, the increase was +7.6% with organic growth of +3.0%.

INCOME FROM OPERATING ACTIVITIES

Income from operating activities in 2011 was €1,092 million, down €130 million from 2010. The main items are detailed below.

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

Impairment on property, plant and equipment, intangible, and financial assets for 2011 was -€69 million, €16 million less than in 2010

In 2011, this item related exclusively to the Other segment in the amount of -€42 million, the Water Europe segment in the amount of -€12 million and the Waste Europe segment in the amount of -€11 million.

Restructuring costs

In 2011, restructuring cost represented an expense of €40 million, versus €83 million in 2010. This included the cost of the ongoing implementation of the COMPASS program.

Disposals and scope effects

Gains on disposals and scope effects generated +€166 million in income in 2011, versus +€364 million in 2010. In 2011, these consisted mainly of the gain before taxes and non-controlling interests from the sale of 70% of Bristol Water's regulated activities (+€88 million) and the gain on the sale of a real estate asset in France (+€34 million). In 2010, the main gains on disposal and remeasurement at fair value related to the unwinding of Lyonnaise des Eaux jointly-held interests with Veolia-Eau and the takeover of Agbar.

NET FINANCIAL INCOME

In millions of euros	2011	2010	Change	% change
Cost of net debt	(395.0)	(387.4)	(7.6)	2.0%
Other financial income and expenses	(9.8)	(26.2)	16.4	-62.6%
NET FINANCIAL INCOME	(404.8)	(413.6)	8.8	-2.1%

The net Group's financial income was - \in 405 million in 2011, a \in 9 million improvement versus 2010 due to an increase in other financial income and expenses (see Note 6 to the consolidated financial statements).

The cost of net debt was -€395 million, versus -€387 million in 2010, with an average rate of 5.19%, versus 4.94% in 2010. This increase was due to average maturity lengthening from 6.2 years to 6.4 years.

The €16 million increase in other financial income and expenses versus 2010 was mainly due to the increase in dividends received from non-consolidated companies.

INCOME TAX EXPENSE

The Group's income tax expense in 2011 was - \in 174 million, versus - \in 119 million in 2010. The difference between the Group's effective

tax rate in 2011 (25.4%) and the prevailing rate in 2011 in France (36.10%) is mainly due to lower tax rates in the various countries where the Group operates.

NET INCOME GROUP SHARE

Net income Group share was €323 million, down by €242 million (-42.8%) from 2010. This decline was due mainly to significant gains realized in 2010 through the unwinding of Lyonnaise des Eaux jointly-held interests with Veolia-Eau and the takeover of Agbar. In 2011, improvements in operating segment performance were partially offset by additional costs incurred on the Melbourne desalination plant contract, which impacted net income by €237 million.

Financing and net debt



FINANCING AND NET DEBT

9.3.1 Cash flows in fiscal years 2011 and 2010

In millions of euros	2011	2010
Cash flows from/(used in) operating activities	1,901.9	1,889.6
Cash flows from/(used in) investing activities	(1,561.4)	(1,315.0)
Cash flows from/(used in) financing activities	297.0	(1,476.6)
Impact of changes in foreign exchange rates and others	29.5	16.8
TOTAL CASH FLOWS FOR THE PERIOD	667.0	(885.2)
Cash and cash equivalents at the beginning of the year	1,826.5	2,711.7
Cash and cash equivalents at the end of the year	2,493.5	1,826.5

CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES

In millions of euros	2011	2010	Change	% change
EBITDA	2,512.9	2,339.4	173.5	7.4%
+ Net disbursements under concession contracts	(265.3)	(251.6)	(13.7)	5.5%
+ Impairment of current assets	(42.1)	(58.2)	16.1	-27.7%
+ Impact of restructuring operations	(72.2)	(80.0)	7.8	-9.8%
+ Dividends received from associates	32.3	44.3	(12.0)	-27.2%
- Net allocation to provisions for employee benefits	(35.2)	(9.9)	(25.3)	254.0%
+ Acquisition costs of subsidiaries	-	(7.2)	7.2	-100%
CASH FLOWS GENERATED FROM OPERATIONS BEFORE INCOME TAX AND FINANCIAL EXPENSES	2,130.4	1,976.7	153.7	7.8%
Tax paid	(163.2)	(355.6)	192.4	-54.1%
Change in working capital requirements	(65.3)	268.5	(333.8)	-124.3%
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	1,901.9	1,889.6	12.3	0.6%

Net cash flows from operating activities amounted to €1,902 million in 2011, up by €12 million versus 2010.

This change mainly reflects:

• the increase in cash flows generated from operations before income tax and financial expenses (+€154 million), mainly due to the improvement in EBITDA (+€173 million);

- the reduction in tax paid (-€192 million), mainly due to lower taxation in Spain (use of tax credits on investments abroad);
- a €334 million difference between the reduction in working capital requirements recognized in 2010 (€269 million) and the increase recognized in 2011 (€65 million).

CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES

In millions of euros	2011	2010	Change	% change
Investments in property, plant and equipment and intangible assets	(1,409.7)	(1,346.0)	(63.7)	4.5%
Financial investments ⁽¹⁾	(259.6)	(587.0)	327.4	-55.8%
Including acquisitions of entities net of cash and cash equivalents acquired	(237.6)	(490.5)	252.9	-51.6%
Including acquisitions of available-for-sale securities	(22.0)	(96.5)	74.5	-77.2%
Disposals of property, plant and equipment and intangible assets	69.0	64.6	4.4	6.4%
Disposals of entities net of cash and cash equivalents sold	73.2	565.4	(492.2)	-87.1%
Disposals of available-for-sale securities	14.9	2.4	12.5	520.8%
Interest received from non-current financial assets	9.0	(9.4)	18.4	-195.7%
Dividends received from non-current financial assets	34.0	24.4	9.6	39.3%
Change in loans and receivables issued by the Company and others	(92.2)	(29.4)	(62.8)	213.6%
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(1,561.4)	(1,315.0)	(246.4)	18.7%

⁽¹⁾ The "Financial investments" item corresponds to the sum of the "Acquisitions of entities net of cash and cash equivalents acquired" and "Acquisitions of availablefor-sale securities" items. Group financial investments broke down as follows in 2011: €13.3 million for the Water Europe segment, €27.0 million for the Waste Europe segment, €215.8 million for the International segment (including primarily the acquisition of WSN Environmental Solutions) and €3.5 million for Other; in 2010, these broke down as follows: €532.0 million for Water Europe (including primarily the takeover of Agbar and the unwinding of jointly-held interests in subsidiaries with Veolia-Eau in France's water business), €20.1 million for Waste Europe, €7.4 million for International and €27.5 million for Other.

Net cash flows used in investing activities were -€1,561 million as of December 31, 2011, versus -€1,315 million as of December 31, 2010.

Total investment in property, plant and equipment and intangible and financial assets declined by €264 million. In this respect, note that 2010 was marked by the takeover of Aguas de Barcelona (Agbar).

Disposals of entities also declined, as 2010 included the sale of Adeslas and the unwinding of jointly-heldinterests in France's water sector.

Maintenance and development capital expenditure and free cash flow

Within "Investments in property, plant and equipment and intangible assets," the Group distinguishes between:

- · 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;
- Development capital expenditure⁽¹⁾, corresponding to investments incurred to build new facilities for operations.

The maintenance capital expenditure as of December 31, 2011 and 2010 is presented in the following table:

In millions of euros	2011	2010
Total maintenance capital expenditure ^(a)	(752.3)	(688.5)
Of which maintenance capital expenditure	(710.9)	(780.7)
Of which change in maintenance asset supplier debt ^(b)	(41.3)	92.2

⁽a) Total maintenance capital expenditure for 2011 breaks down as follows: €278.2 million for the Water Europe segment, €331.2 million for the Waste Europe segment, €136.4 million for the International segment and €6.5 million for Other. The breakdown was as follows as of December 31, 2010: €268.8 million for the Water Europe segment, €284.5 million for the Waste Europe segment, €126.1 million for the International segment and €9.0 million for Other.

The Group uses free cash flow as an indicator to measure the generation of liquidity from the Group's existing operations before development capital expenditure.

⁽b) Change in trade payables concerning the acquisition of maintenance-related property, plant and equipment and intangible assets.

⁽¹⁾ Total development capital expenditure (€657.4 million in 2011 and 2010) broke down as follows in 2011: €322.2 million for the Water Europe segment, €201.3 million for the Waste Europe segment and €133.9 million for the International segment. The breakdown in 2010 was as follows: €309.0 million for the Water Europe segment, €206.8 million for the Waste Europe segment and €141.6 million for the International segment.

Financing and net debt

The reconciliation of cash generated from operations before income tax and financial expenses with free cash flow as of December 31, 2011 and 2010 is presented in the following table:

In millions of euros	2011	2010
Cash flows from operations before financial income/(expense) and income tax	2,130.4	1,976.7
Total maintenance capital expenditure	(752.3)	(688.5)
Change in working capital requirements	(65.4)	268.5
Tax paid	(163.2)	(355.6)
Financial interest paid	(379.2)	(378.3)
Financial interest received from cash and cash equivalents	46.0	10.2
Interest received from non-current financial assets	9.0	(9.4)
Dividends received from non-current financial assets	34.0	24.4
Other	0.5	4.3
Free cash flow	859.8	852.3

In 2011, the breakdown of free cash flow by segment was as follows:

• Water Europe segment: €454.8 million;

Waste Europe segment: €325.1 million;

International segment: €117.2 million;

• Other: -€37.3 million.

In 2010, it broke down as follows:

• Water Europe segment: €363.4 million;

Waste Europe segment: €358.8 million;

International segment: €267.5 million;

• Other: -€137.4 million.

CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES

In millions of euros	2011	2010	Change	% change
Dividends paid	(280.6)	(456.8)	(71.5)	-15.7%
Repayment of debt	(1,470.6)	(3,949.6)	2,479.0	62.8%
Reduction in capital paid to non-controlling interests	(4.7)	(141.7)	137.0	96.7%
Change in financial assets at fair value through income	251.0	916.5	(665.5)	-72.6%
Financial interest paid	(379.2)	(378.3)	(0.9)	-0.2%
Financial interest received on cash and cash equivalents	46.0	10.2	35.8	351.0%
Increase in financial debt	2,135.0	1,818.9	316.1	17.4%
Increase in share capital	24.9	4.3	367.1	n.a.
Undated deeply subordinated note issued by SUEZ ENVIRONNEMENT COMPANY	-	750.0	(750.0)	n.a.
Acquisition and disposal of treasury shares	(24.3)	(41.1)	(82.0)	-199.5%
Other	(0.5)	(9.0)	8.5	94.4%
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	297.0	(1,476.6)	1,773.6	120.1%

Net cash flows from financing activities were +€297 million as of December 31, 2011, up €1,774 million versus December 31, 2010.

In 2011 the Group repaid €1,471 million in financial debt. These repayments were made possible through the sale of financial assets in the amount of €251 million (the "Change in financial assets at fair value through income" item, mainly corresponding to mutual funds), the €2,135 million increase in financial debt (€1,141 million of which corresponds to new SUEZ ENVIRONNEMENT COMPANY's issues: a 10-year bond issue in the amount of €750 million, a GBP 250 million bond issue and a €100 million private placement).

In 2010, the amount recognized as "Increase in financial debt" (+€1,819 million) mainly reflected a €500 million bond issue and €412 million drawn down from the syndicated loan set up by the Group.

Dividends paid in 2011 amounted to €281 million:

- €105 million paid by SUEZ ENVIRONNEMENT COMPANY, being the portion paid in cash of the total dividend of €353 million;
- €176 million corresponding to dividends paid to non-controlling interests.

9.3.2 Net debt

NET DEBT AS OF DECEMBER 31, 2011 AND 2010

In millions of euros	2011	2010	Change	% change
Bonds	5,740.2	4,924.0	816.2	16.6%
Draw-downs on credit facilities	989.7	1,072.0	(82.3)	-7.7%
Borrowings under finance leases	506.6	574.7	(68.1)	-11.8%
Other bank borrowings	1,427.5	1,744.3	(316.9)	-18.2%
Other borrowings	606.5	553.3	53.2	9.6%
TOTAL BORROWINGS	9,270.5	8,868.3	402.1	4.5%
Overdrafts and current accounts	626.5	647.5	(21.0)	-3.2%
TOTAL OUTSTANDING DEBT	9,897.0	9,515.8	381.1	4.0%
Financial assets measured at fair value through income	(14.7)	(264.7)	250.0	94.4%
Cash and cash equivalents	(2,493.5)	(1,826.5)	(667.0)	-36.5%
TOTAL NET DEBT (EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS AND AMORTIZED COST)	7,388.8	7,424.6	(35.9)	-0.5%
Impact of derivative financial instruments and amortized cost	168.5	101.0	67.6	66.9%
NET DEBT	7,557.3	7,525.6	31.7	0.4%

Net debt was €7,557 million as of December 31, 2011, versus €7,526 million as of December 31, 2010. This €31.6 million increase was mainly due to:

- the €860 million increase in free cash flow against 2010, allowing net development investments to be funded in full;
- the dividend payment made in cash to SUEZ ENVIRONNEMENT COMPANY shareholders (a €68.8 million increase);
- dividend payments to non-controlling shareholders of subsidiaries (a €172.7 million increase);
- asset acquisitions and disposals: the acquisition of WSN Environmental Solutions by Sita Australia generated an increase of AUD 187.4 million (€147.3 million at the December 31, 2011

exchange rate), while the sale of 70% of Bristol Water's regulated activity entailed a €385.8 million reduction in net debt in the consolidated statement of financial position;

- Degrémont's sale of its former head office at Rueil Malmaison (a €40.0 million reduction);
- foreign exchange impacts (+€25.0 million).

Net debt amounted to 110.9% of total equity at the end of 2011, versus 113.6% at the end of 2010. The net debt/EBITDA ratio was 3.0 at the end of 2011, versus 3.2 at the end of 2010.

As of December 31, 2011, the Group had unused approved credit facilities of €2.482 million.

Financing and net debt

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 scope effects on a pro rata temporis basis as well as for material foreign exchange effects.

The calculation of NOPAT, capital employed, and return on capital employed for 2011 and 2010 are presented in the following tables:

In millions of euros	2011	2010
Current operating income	1,039.4	1,024.8
Share in net income of associates	37.3	31.4
Dividends	35.2	24.4
Interest and income from receivables and current assets	13.7	8.7
Other financial income and expenses	(53.0)	(40.0)
Income tax expense	(84.9)	(139.9)
NOPAT	987.8	909.4

In millions of euros	2011	2010
Goodwill (net)	3,128.0	3,069.5
Property, plant and equipment and intangible assets (net)	12,634.0	8,723.7
Available-for-sale securities	509.7	447.8
Investments in associates	443.3	322.9
Provisions	(1,656.5)	(1,389.0)
Impact of material foreign exchange fluctuations and scope effects	(253.1)	2,134.8
Other	(914.7)	(643.3)
CAPITAL EMPLOYED AS OF JANUARY 1(1)	13,890.7	12,666.4

⁽¹⁾ Opening capital employed, adjusted for material scope and foreign exchange effects.

		Capital			
In millions of euros	NOPAT	employed	ROCE ⁽¹⁾		
2011	987.8	13,890.7	7.1%		
2010	909.4	12,666.4	7.2%		

⁽¹⁾ To be compared to the weighted average cost of capital (WACC) estimated at 6.6% for 2011 (unchanged against 2010).

ROCE by segment breaks down as follows:

• in 2011: Water Europe segment: 9.7%, Waste Europe segment: 6.7%, International and Other segments: 2.8%, or 10.8% excluding Melbourne;

• in 2010: Water Europe segment: 8.0%, Waste Europe segment: 6.2%, International and Other segments: 7.2%.

> 9.4 PROVISIONS

The movements in provisions between December 31, 2010 and December, 31, 2011 are presented in the following table:

			Change	
In millions of euros	2011	2010	€M	In %
Pensions and other post-employment and long term benefits	570.7	490.7	80.0	16.3%
Sector-related risks	101.8	103.7	(1.9)	-1.8%
Warranties	28.8	29.3	(0.5)	-1.7%
Disputes, claims, and tax risks	211.3	266.0	(54.7)	-20.6%
Site restoration	567.0	540.4	26.6	4.9%
Restructuring costs	21.5	54.7	(33.2)	-60.7%
Other contingencies	333.5	171.7	161.8	94.2%
TOTAL PROVISIONS	1,834.6	1,656.5	178.1	10.8%

The main provisions as of December, 31, 2011 were the following:

- Provisions for site restoration, which amounted to €567 million in 2011, up +€27 million from 2010, of which +€22 million was the impact of the interest cost, +€5 million the impact of the foreign exchange rates, and +€12 million the scope effects. The purpose of these provisions and the methods for calculating them are explained in Note 15.4 to the consolidated financial statements;
- Provisions for pensions and other post-employment and long term benefits which in 2011 were €571 million, up +80 million on December, 31, 2010, of which +€71 million was actuarial loss. For a detail of provisions for pensions and other post-employment and long term benefits, see Note 16 to the consolidated financial statements:
- Provisions for other contingencies, which amounted to €334 million in 2011, an increase of €162 million from December, 31, 2010, of which +€146 million was due to scope effects (mainly the acquisition of WSN). Under this label are mainly included miscellaneous employee-related and environment-related contingencies, and various business risks;
- Provisions for disputes, claims, and tax risks amounted to €211 million, down -€55 million versus 2010, mostly because of the expiration of tax risks in Spain;
- Provisions for sector-related risks, which totalled €102 million in 2011, relatively steady against December, 31, 2010 (€104 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 Commitments relating to Group financing

FINANCIAL DEBT

The Group's total gross debt and its repayment schedule as of December 31, 2011 is set out in the following table:

In millions of euros	Total	2012	2013	2014	2015	2015
Total borrowings	9,270.5	1,316.1	203.3	1,301.6	459.5	5,990.0
Overdrafts and current accounts	626.5	626.5	-	-	-	-
TOTAL OUTSTANDING FINANCIAL DEBT	9,897.0	1,942.6	203.3	1,301.6	459.5	5,990.0
Of which, GDF SUEZ share	148.2	6.0	6.0	6.0	106.0	24.2

Contractual commitments

SECURED, PLEDGED, AND MORTGAGED ASSETS

Items of property, plant and equipment pledged by the Group to guarantee commitments amounted to €123.7 as of December 31, 2011, and €655.3 million in 2010. This decrease was mostly related to the cancellation of a pledge (-€506.7 million) given on United Water New Jersey's assets, made on May 23, 2011.

The maturities of these commitments are as follows:

In millions of euros	December 31, 2011	December 31, 2010
2011	-	528.8
2012	3.5	5.8
2013	0.4	0.6
2014	1.0	1.2
2015	0.1	-
Beyond	118.7	118.9
TOTAL	123.7	655.3

FINANCING COMMITMENTS

Financing commitments provided or received by the Group in respect of the fiscal years ended on December 31, 2011 and December 31, 2010 are presented in the following table:

In millions of euros	December 31, 2011	December 31, 2010
Personal securities provided for borrowings	269.1	278.6
Financing commitments provided	-	-
TOTAL COMMITMENTS GIVEN	269.1	278.6
Financing commitments received	2,482.0	1,847.5
Other financing guarantees received	-	-
TOTAL COMMITMENTS RECEIVED	2,482.0	1,847.5

Commitments given and received related to financing mainly concern undrawn confirmed credit facilities (given or received) and borrowings contracted before the closing 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 on the Group's statement of financial position.

9.5.2. Contractual investment commitments

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, 2011	December 31, 2010
2011	-	365.0
2012	428.6	147.5
2013	110.0	90.4
Beyond	62.9	167.4
TOTAL	601.5	770.3

This decrease results, among other things, from the decrease in PPE investment commitments for Sita Nederland for an amount of €103,7 million, due to the end of the Baviro plant works.

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 €319 million as of December 31, 2011. These other investment commitments amounted to €323 million as of December 31, 2010.

9.5.3 Lease-related commitments given

COMMITMENTS RELATED TO FINANCE LEASES

The main finance lease contracts entered into by the Group concern mostly Novergie's incineration plants, and the Torre Agbar, due to Agbar acquiring rights and assuming obligations, in 2010, in relation with the finance lease agreement previously binding Azurelau and Caixa, owner and financial lessor of the building.

The future minimum lease payments under these leases were as follows as of December 31, 2011 and 2010:

	Future minimum lease payments as of December 31, 2011			lease payments ember 31, 2010
In millions of euros	Undiscounted value	Discounted value	Undiscounted value	Discounted value
During year 1	77.6	73.9	83.2	81.7
During year 2 and up to year 5 inclusive	276.4	233.3	276.1	258.1
Beyond year 5	299.3	199.4	318.5	253.4
TOTAL	653.3	506.6	677.8	593.2

COMMITMENTS RELATED TO OPERATING LEASES

Minimum future lease payments under non-cancellable operating leases can be analyzed as follows:

In millions of euros	December 31, 2011	December 31, 2010
During year 1	178.8	152.3
During year 2 and up to year 5 inclusive	384.9	338.0
Beyond year 5	299.3	263.6
TOTAL	863.0	753.9

9.5.4 Operation-related commitments given

Commitments given in relation with operations amounted to \leq 3.4 billion as of December 31, 2011, versus \leq 2.9 billion in 2010. They concern guarantees given by the Group in respect of contracts and markets, including bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

Outlook

9.6 PARENT COMPANY FINANCIAL STATEMENTS

 $See section 20.3 of this \, Reference \, Document \, which \, also \, includes \, the \, position \, of \, accounts \, payable \, by \, maturity.$



See section 6.3.4 of this Reference Document.

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CASH AND SHAREHOLDERS' EQUITY

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10.1 COMPANY SHAREHOLDERS' EQUITY

Total shareholders' equity as of December 31, 2011 amounted to €6,817 million, up €190 million compared to December 31, 2010. This change includes in particular the impact of dividend payments for fiscal year 2010 in the amount of -€512.9 million, of which -€247.7 million as scrip dividend, -€241.5 million in cash and -€23.7 million (net of tax) paid as coupon relating to the undated deeply subordinated note. It also includes the capital increase related to the scrip dividend (+€247.7 million) and to the SHARING employee shareholder plan (+€85.7 million)

net of fees), a capital reduction by cancellation of shares (-€98.9 million), translation adjustments (+€39 million) and net income for fiscal year 2011 (+€550 million).

Group net debt (including amortized cost and impact of derivative instruments) was €7,557 million as of December 31, 2011, versus €7,526 million as of December 31, 2010. Consequently, the net debt/EBITDA ratio declined from 3.2 as of December 31, 2010 to 3.0 as of December 31, 2011.



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 flows generated from operations before financial expenses and income tax

In millions of euros	2011	2010	Gross change in%
Water Europe	959.3	774.1	+23.9%
Waste Europe	820.9	791.3	+3.7%
International	390.3	494.8	-21.1%
Other	(40.1)	(83.5)	-52.0%
TOTAL	2,130.4	1,976.7	+7.8%

Cash flows generated from operations before financial expenses and income tax totaled €2,130 million as of December 31, 2011, up 7.8% versus 2010.

In total, operating activities generated a cash surplus of €1.9 billion in 2011

10.2.2 Cash flows from/used in investing activities

Investments in 2011 totaled €1.7 billion and included:

- financial investments of €259.6 million (€587 million in 2010), including €27 million for acquisitions in the Waste Europe segment, €13.3 million for acquisitions in the Water Europe segment, €215.8 million for the International segment and €3.5 million for Other segments;
- maintenance capital expenditure of €752.3 million (€688.5 million in 2010), including €278.2 million for the Water Europe segment, €331.2 million for the Waste Europe segment, €136.4 million for the International segment and €6.5 million for Other segments;

Borrowing terms and issuer's financing structure

development capital expenditure of €657.4 million (€657.5 million in 2010), including: €322.2 million for the Water Europe segment, €201.3 million for the Waste Europe segment and €133.9 million for the International segment.

Disposals in 2011 represented €157.1 million, versus €632.4 million in 2010. The main disposal in 2011 is the Agbar sale of Bristol Water's regulated activities reduced by cash equivalents sold, for a total consideration of €91.8 million.

In total, cash flows from investing activities resulted in a cash outflow of \in 1.6 billion, versus an outflow of \in 1.3 billion in 2010.

10.2.3 Cash flows from/used in financing activities

Dividends paid in cash in 2011 amounted to €280.6 million⁽¹⁾ versus €456.8 million in 2010). This figure includes the dividends paid by SUEZ ENVIRONNEMENT COMPANY to its shareholders (€68.8 million) as well as the coupon for the undated deeply subordinated note (€36.1 million, or €23.7 million net of tax impact). It also includes the dividends paid by certain subsidiaries to non-controlling interests in

the amount of €172.7 million and withholding taxes in the amount of €3 million. Net financial interests paid totaled €333.2 million in 2011, versus €368.1 million in 2010.

Total cash flow from financing activities generated a \leq 297 million cash surplus in 2011, versus a \leq 1.5 billion outflow in 2010.



10.3 BORROWING TERMS AND ISSUER'S FINANCING STRUCTURE

10.3.1 Debt structure

Gross debt (excluding amortized cost and the effect of derivatives) as of December 31, 2011 was €9,897 million, versus €9,516 million as of December 31, 2010, and breaks down as follows:

- bonds (mainly subscribed by SUEZ ENVIRONNEMENT COMPANY) in the amount of €5,740 million (€4,924 million in 2010);
- bank borrowings in the amount of €2,417 million (€2,816 million in 2010);
- GDF SUEZ financing in the amount of €148 million (€210 million in 2010):
- other borrowings and current accounts totaling €1,592 million (€1,566 million in 2010).

Including amortized cost and the impact of derivatives, 46% of net debt was denominated in euros, 21% in US dollars, 5% in pounds sterling and 15% in Chilean pesos at the end of 2011 (in 2010: 44% in euros, 17% in US dollars, 9% in pounds sterling and 17% in Chilean pesos).

58% of gross debt and 81% 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 to adapt to the market context. The average cost of net debt was 5.19%, versus 4.94% in 2010. The average term of net debt was 6.4 years at the end of 2011, versus 6.2 years at the end of 2010. A summary of maturities is presented in Section 10.5.1.

(1) €280.6 million corresponds here to dividends paid in cash in 2011, versus the €265.2 million in dividends net of tax impact (€277.6 million before tax), voted for in 2011 and presented in the consolidated statement of changes in shareholders' equity in Section 20.1.

Restrictions on the use of capital

10.3.2 Major transactions in 2011

Fiscal year 2011 was marked by the pursuit of a financial policy whose aim is to reinforce SUEZ ENVIRONNEMENT's financial independence by using bank and bond markets to optimize the cost of debt.

Accordingly, the Company renegotiated its €1.5 billion syndicated loan, set up in February 2010 and extended the original maturity to 2016 and also improved its other terms. It also restructured smaller bilateral lines of credit totaling €250 million and set up new lines totaling €250 million, with GDF SUEZ granting it a further €350 million line of credit. On January 12, 2011, the Company's Board of Directors also authorized renewal of the €5 billion Furo Medium-Term Note program and the use of a €2 billion issuance package. As part of this, SUEZ ENVIRONNEMENT COMPANY executed several transactions, including a bond exchange on the 2014 tranche to issue a new tranche of €500 million, maturing in 2021 with a coupon of 4.078%; a "tap" transaction in the amount of €250 million to increase the nominal value of this tranche with favourable terms; a seven-year private placement with a Japanese investor in the amount of €100 million; and a €250 million operation, maturing in 2030 with a coupon of 5.375%.

10.3.3 Group rating

SUEZ ENVIRONNEMENT COMPANY 's senior debt is rated by the rating agency Moody's; the rating confirmed on March 4, 2009 was A3 for its long-term debt and Prime2 for its short-term debt. The negative outlook associated with this rating was improved to a stable one on May 6, 2011 following publication of the Group's results.

Moody's applied the following main adjustments to the Group's net

- · addition of funding shortfall on pension liabilities (see Section 20.1 Note 16);
- · addition of the present value of future minimum payments on operating leases (see Section 20.1 Note 18).



10.4 RESTRICTIONS ON THE USE OF CAPITAL

As of December 31, 2011, 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 €2,482 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 the Group's possible breach of financial covenants is described in section 4.1.3.3 of this Reference Document.

For most loans relating to subsidiaries and involving negotiation of financial covenants, the lending banks usually require the relevant company to 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 the ISCR (interest service cover ratio).

With regard to project financing, lending banks may also require that the concerned company maintains 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 regarding a balance sheet item, which generally takes the form of a debt to 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 or approximately 3% of gross financial debt (excluding bank overdrafts, amortized cost and derivative effect) as of December 31, 2011.

The Group has implemented a semi-annual procedure for monitoring its financial covenants that involves the CFOs of the major subsidiaries sending representation letters indicating (i) whether the subsidiary or other legal entities supervised by this subsidiary have, as of the last account closing, been in default or potential default situations (situations likely to become default situations contingent upon a 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

9,897.0

5,318.7

Expected sources of financing to meet the commitments relating to investment decisions

1,316.1



TOTAL

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 debt maturities as of December 31, 2011.

	Amount per period				
	Less than	3 months	4	More than	.
In millions of euros	3 months	to 1 year	1 to 5 years	5 years	Total
Debt with GDF SUEZ	1.5	4.5	122.5	19.7	148.2
Bonds and bank borrowings	625.0	1,312.6	2,513.2	5,299.0	9,748.8

626.5

10.5.2 Expected sources of financing

As of December 31, 2011, the Group had available cash totaling €2,699.6 million (including €14.7 million in mutual funds held for trading purposes) and unutilized, confirmed credit facilities totaling €2,482 million, of which €500.5 million will be expiring in fiscal year 2012.

The Group anticipates that its financing needs for 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.

2,635.7

Liquidity as of December 31, 2011 was sufficient to cover mediumterm 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

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RESEARCH AND DEVELOPMENT, **PATENTS AND LICENSES**

11.1 RESEARCH AND DEVELOPMENT

Innovation is a key element of the Group's strategy. It allows SUEZ ENVIRONNEMENT and its subsidiaries to meet the expectations of the market and customers with an innovative, well differentiated offers, and to anticipate future needs by generating growth drivers.

The Group's sustained innovation efforts ensure the continuous improvement of the productivity of production tools and therefore contribute to financial profitability. A true vector of improved knowhow in all its operations, innovation is also directed at enhancing environmental performance in terms of impact on climate, resources and biodiversity. The fast economic development and unprecedented growth of certain world's regions also require new arrangements adapted to market conditions. Research, technological development and expertise are all means the Group applies in order to improve the economic and environmental performance of its operations and the technological changes expected by its customers, as well as to reduce operating risks. The Group's geographical scope allows it to maintain outstanding global expertise, which it makes available to its customers. In 2011, the Group committed €74 million to research, technological development and innovation.

This research and innovation policy is based on the work of experts in the operating units, the various research programs developed in the Group's research and development (R&D) centers and the promotion of a policy of innovation. The aim of this organizational approach is to facilitate the sharing of results and information between researchers and experts, and to deliver innovative offers and services to our customers

In total, over 400 researchers and experts work full-time on research and technological development projects in the R&D centers and expert networks

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 and SUEZ ENVIRONNEMENT have set up 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 and the management of water resources and demand. In 2011, the R+i Alliance's budget was €9.1 million.

In 2011, through its subsidiary Lyonnaise des Eaux, the Group set up LyRE (Lyonnaise Recherche), a new research center at the heart of the Bordeaux campus in France. Lyonnaise des Eaux has defined an innovative governance approach for LyRE that involves regional players, local authorities, universities and research laboratories. LyRE's missions include:

- · innovation, via cross-fertilization between public and private research:
- · development, through technology transfer and by helping to create start-ups:
- training for the Company staff and its partners, and contribution to students' professionalization.

These missions are structured according to three topics (large water and waste treatment systems, water industry players and users and the greater water cycle) to spur collective rethinking of the future of water in urban environments.

Beyond the Group itself, a number of partnerships with public entities (including 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 (sustainable 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.

In addition, Ondeo Systems, a subsidiary of SUEZ ENVIRONNEMENT, has used an R&D team to develop leading technologies in remote meter reading, and in 2011 won major contracts inside and outside the Group. SUEZ ENVIRONNEMENT does not exclude the possibility of extending this success intoother business areas.

Convinced that innovation also means encouraging external partnerships, especially with start-ups, the Group has implemented a deliberate approach to stimulate, promote and co-fund innovative technical, commercial and management initiatives and projects by methodically reviewing the various project proposals put forward by teams on the field (technological tests) and by investing in innovative start-ups via Blue Orange, the investment fund created in 2010 for this purpose. This approach involves offering start-ups either

commercial cooperation or financing through equity investment. In 2011, Blue Orange concluded three partnerships with start-ups and has allowed the Group to meet hundreds of innovative start-ups, some of which have led to commercial cooperation. As of the end of 2011, more than 20 technological tests had been funded, most of them in partnership with start-ups. Some of the tests were very conclusive and are now on the way to commercial cooperation.

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

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 the Group's customers in these matters and to generate substantial productivity gains. Biogas is a "natural" byproduct of purification plants and is also produced by the fermentable portion of household waste, primarily at landfill sites. Capturing it and using it helps to reduce the environmental footprint of the Group's activities and those of its customers, and it can also be used to produce energy. The Group's R&D teams are thus working on biogas capture, purification and cogeneration processes.

The Group also focuses on programs dedicated to energy savings in the operational management of its infrastructures, to enhancing energy recovery from incineration plants, to using renewable energy derived from treatment processes (in collaboration with the Clipsol company in particular), to recovery of heat from wastewater (Degrés Bleus) and to reducing greenhouse gases generated by waste collection. For example, the development of an all-electric second-generation vehicle to be used for collecting household waste has reduced the problems caused by collection trucks and their greenhouse gas emissions.

Various other research programs have been launched as part of our "City of Tomorrow" initiative, which is fully in line with this strategy. Many collaborative initiatives have also been set up as official "Advancity" competitive cluster projects.

 limiting the impact of the Group's activities on resources is another major challenge resulting from sustainable development initiatives.

In responding to this challenge, our research, development and innovation efforts range from the recycling of solid waste to reuse of wastewater, optimization of Group water networks and seawater desalination.

In its waste business, the Group has launched significant programs to improve the treatment of solid waste based on the recovery of materials (recycling of plastics, rubber and metals) and organic recovery (compost). These innovative programs allow the Group to be a major player today in organic waste recycling and recovery. In 2009, based on the results of R&D to guarantee the quality of the recycled product, the Group started up its "bottle to bottle" plant in Limay, a production facility dedicated to recycling PET (polyethylene terephthalate) bottles. The analytic experience accumulated by the Group's water operations was thus made available to the Waste activity.

In 2011, SUEZ ENVIRONNEMENT developed the first pilot project for recycling used nappies. Called "Happy Nappy," this R&D program aims to evaluate the recovery potential of used nappies. With its Sita subsidiary, SUEZ ENVIRONNEMENT has committed €340,000 to this research program, which is 40% funded by ADEME as part of an eco-industry call for tenders in 2009. The program initially consists of a pilot stage to test whether the various nappy components can be separated and isolated, and then an evaluation of the energy recovery and materials recovery potential for the elements comprising the nappies. There are three recovery aspects involved:

- energy production, via biogas from the organic waste;
- · recycled materials production, by recycling the plastics;
- · compost production, from the organic waste residue.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Research and development

In upstream sorting methods, the Group is working on improving automated sorting techniques, for example involving optical bottle sorting and sorting by flotation for demolition wood and metals. The goal of this research is to reduce the hardness of the task and also to increase overall sorting efficiency and thus the subsidiaries' recycling yields.

Research efforts are also intensifying on the recycling of materials to meet market expectations. In this case, close upstream 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 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 involving the future are critical, by using renewable energy and allowing proper integration of facilities within their environment. Research is being carried out to improve energy savings even further via new desalination technologies.

The Group is active in very large desalination markets (such as Perth and, most recently, Melbourne) through Degrémont, as well as in smaller freshwater membrane treatment markets.

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 as well as through incorporation into Degrémont's turnkey offerings, is aimed at drinking water and urban and industrial wastewater markets. The development of these oxidation techniques to treat residual micro-pollutants in wastewater is also under study.

More generally, through its research center in Shanghai and in collaboration with Shanghai Chemical Industrial Park, the Group is working on treating industrial process water (identifying special effluents and optimizing their treatment). 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 wastewater networks. Indeed, it is critical to determine the remaining useful life of lines and networks based on local conditions, age and the specific characteristics of the materials used 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 that increase their service life and mean sizeable savings in the long term.

 More broadly, the Group's research and development efforts focus on controlling environmental impact.

Today, the Group is capable of measuring and modeling odor dispersion, it has identified emissions from numerous sources and can provide corrective measures. An odor laboratory has been set up to analyze odors and to 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.

Launched in 2006, the Rhodanos R&D project initiated by Axelera was completed this year, showing a number of technical advances in the water sector. Its aim was to anticipate and control the consequences of liquid, industrial and urban effluents released into the environment and to allow players in the water sector to meet the requirements of the Framework Water Directive, which sets requirements for returning all water bodies to decent condition by 2015. The Rhodanos program particularly focuses on water's chemical state and the monitoring and treatment of priority substances. This issue involves all stages of the water cycle, from the production of effluents (aiming at reducing substance release by industrials), to the wastewater treatment stages and to the release into the natural environment (supervision, monitoring and management of the receiving environment). The Rhodanos project generated a total of 23 deliverables, including real-time management of water bodies' status (analysis methods, new sensors, command and control systems, software, surveillance) and control of industrial and urban effluents (industrial processes, treatment lines, new software). Most of these results are intended to be implemented by industrials, knowing that the Framework Water Directive will be a strong driver for this type of innovation in the next three years.

· Health and environmental risks

True to its traditions, the Group is continuing to invest significantly in health monitoring programs related to the quality of drinking water in order to guarantee the delivery of perfect, food-quality water to its consumers' taps. SUEZ ENVIRONNEMENT has one of the best laboratories in the world in this area, allowing the Group to participate alongside the French and world health authorities in ongoing analysis and examination of the reality of emerging pollution risks, pathogen effects and the adaptation of technologies to eliminate these pollutants in current and new treatment systems. The Group is also now recognized for its selection and optimal integration of membrane technologies as part of major applications.

Particularly condemned by the "Grenelle de l'Environnement" (environment forum), diffuse pollution and nitrates in particular are a major cause of water table pollution. Derived from SUEZ ENVIRONNEMENT's expertise in protecting water resources, Nitrascope™ is a new tool that helps in decision-making. It allows the effectiveness of various preventive-measure scenarios to be tested where a tributary flows into a water body, with the aim of reducing the concentration of nitrates that end up in drinking water. Nitrascope™ was developed as part of an internal research program involving various Group entities, and has already been used at several sites

managed by Lyonnaise des Eaux. SUEZ ENVIRONNEMENT is thus able to make its expertise available to local authorities in setting up a water quality diagnosis system and helping them define plans for preventing diffuse pollution.

In 2012, the Group intends to pursue its innovation strategy by boosting efforts to improve its environmental performance and that of its customers, by developing industrial partnerships to incorporate external technological solutions and partnerships with the community of highly innovative start-ups.



11.2 TRADEMARKS, PATENTS AND LICENSES

The Group protects its intellectual property assets, its trademarks and especially its patents. Indeed, the Group believes that these assets offer added value to the services it provides to its clients.

11.2.1 Patents

The Group's patents portfolio represents 257 families of patents .

In 2011, the Group maintained a strong pace by filing 26 new patents, compared to 19 patents in 2010.

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, and cover all water and waste activities.

In general, patents are filed in the country of origin and are then made 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 in total, registered in over 70 countries around the world.

There are a number of potential sources of patentable inventions, for example those resulting from:

- · the Group's research centers;
- shared research efforts within the Group;
- · one-off collaborations with partners (universities, laboratories etc.);
- · operational subsidiaries (the initial filing is usually handled by the subsidiary; extensions are then carried out by the Group after transfer).

These patents protect products, such as a biological reactor for the treatment of wastewater or a domestic waste bin that compacts waste. They also protect processes, such as the treatment of water for small local authorities based on reed beds or the treatment of rainwater for large urban areas. Protection of plant operating techniques and services is important, so numerous patents have therefore been registered for sensors, regulations and operational optimization.

In the environmental sector, where competition is tough, the protection offered by patent law is vital, ensuring that we obtain long-term benefits 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, varied patent portfolio represents a significant and reliable intangible asset.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Trademarks, patents and licenses

11.2.2 Trademarks

As of December 31, 2011, 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 are "Ondeo," "Ondeo Industrial Solutions," "Degrémont" and "Safege" in the water sector and the institutional trademark "Sita" in the waste sector. 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, and 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.

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 watertreatment 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 23 new trademarks in 2011 (three by SUEZ ENVIRONNEMENT, nine by Lyonnaise des Eaux, nine by Degrémont, one by Safege and one by R+i Alliance), among which Previl'eau, Sea Shell, Greenloop, La santé de l'eau, Isi eau and Ligérienne des eaux.

Furthermore, 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.

INFORMATION ON TRENDS

PROFITS FORECASTS OR ESTIMATES

Under lackluster economic conditions, the Group sets the goals of reaching 2012 levels of revenues, EBITDA and free cash flows higher or equal to those of 2011, at constant exchange rates. In 2012, the Group will also maintain its policy of selectivity for its investments and aims at investing $\ensuremath{\mathfrak{c}}$ 1.3 billion net, during the fiscal year. Finally, the Group will keep its target of a net financial debt / EBITDA ratio of around 3 times.

The description of the change in the economic and financial environment and assumptions applied by the Group is described in section 6.3.4 of this Reference Document.

PROFITS FORECASTS OR ESTIMATES



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14.1 COMPOSITION AND FUNCTIONING OF 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 detailed in the Report of the Chairman of the Board of Directors, which has been prepared in accordance with Article L.225-37 of the French Commercial Code and presented in Section 16.5 of this Reference Document.

There are no family connections between the Board of Directors' members and the Company's other senior management.

To the Company's knowledge, no member of the Board of Directors, nor any corporate officer, has been convicted of fraud during the past five years; has acted as manager in a bankruptcy, receivership or liquidation, or has been subject to any criminal proceedings and/or official public sanction made by any judicial or regulatory authority; or has 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, 2011, 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 ⁽¹⁾ GDF SUEZ	Chairman of the Board of Directors	62 yrs	Titles and positions held:
Tour T1 1 Place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense	OI DIRECTORS		Chairman and Chief Executive Officer of GDF SUEZ Chairman of the Board of Directors of GDF SUEZ Énergie Services*, GDF SUEZ Belgium* (Belgium) Vice-Chairman of the Board of Directors of Electrabel* (Belgium), and Aguas de Barcelona S.A.* (Spain) Director of International Power* (United Kingdom) ((since February 3, 2011)), of Saint-Gobain, Pargesa Holding SA (Switzerland) Chairman of GDF SUEZ Rassembleurs d'Énergies SAS (since October 27, 2011) President of Association Paris EUROPLACE Member of the Board of the French Directors'Institute *Companies belonging to GDF SUEZ Group Titles and positions expired over the past five years: Chairman and Chief Executive Officer of SUEZ (until July 22, 2008) Chairman of the Board of Directors of SUEZ ENVIRONNEMENT (until October 28, 2008), of Electrabel, (Belgium)(until September 19, 2008), of Hisusa, (Spain) (until June 7, 2010), SUEZ-Tractebel, (Belgium) (until January 25, 2011) Chairman of the Board of Directors of Hisusa, (Spain) (until June 5, 2009) Member of the Supervisory Board of Axa (until April 29, 2010)

⁽¹⁾ Director appointed on the proposal of GDF SUEZ.

Composition and functioning of management and supervisory bodies

Name	Title	Age	Other titles and positions over the past five years		
Jean-Louis Chaussade ⁽¹⁾ SUEZ ENVIRONNEMENT Tour CB21 – 16 Place de l'Iris 92040 Paris La Défense	Director and Chief Executive Officer	60 yrs	Titles and positions held:		
			Member of the Management Committee of GDF SUEZ Permanent Representative of SUEZ ENVIRONNEMENT España S.L. to the Board of Directors of Aguas de Barcelona S.A. (Spain) Chairman of the Boards of Directors of Lyonnaise des Eaux France, Sita France and Hisusa (Spain), Sino French Holdings Ltd (Hong Kong). Executive Director of SUEZ ENVIRONNEMENT España S.L. (Spain) Director of ACEA (Italy) Director of Criteria CaixaHolding S.A.U (Spain) (since October 19, 2011) Chairman of the Supervisory Board of the Institute of Economic Forecasting for the Greater Mediterranean (IPEMED) (since December 9, 2011)		
			Titles and positions expired over the past five years:		
			Chairman, Chief Executive Officer and Director of SUEZ ENVIRONNEMENT (until December 18, 2008) Chairman of the Board of Directors of Degrémont SA (until October 14, 2009) and Terralys (until December 14, 2009) Director of various SUEZ ENVIRONNEMENT subsidiaries Permanent Representative of SUEZ ENVIRONNEMENT España S.L. to the Board of Directors of Hisusa (Spain) (until June 7, 2010)		
Valérie Bernis ⁽¹⁾	Director	53 yrs	Titles and positions held:		
GDF SUEZ Tour T1 1 Place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense			Executive Vice-President of GDF SUEZ in charge of communications and marketing Member of the Management Committee of GDF SUEZ 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) Director of Société Monégasque de l'Électricité et du Gaz (SMEG - Monaco) Member of the Supervisory Board of Euro Disney S.C.A. Member of the Board of Directors and of the Audit Committee of Bull		
			Titles and positions expired over the past five years:		
			Permanent representative of GDF SUEZ Communications to the Board of Directors of Investissements Presse (until June 30, 2007) Permanent Representative of Lamiran to the Supervisory Board of Investissements Presse de Libération Director of Storengy (until December 11, 2009) Director of SUEZ-Tractebel (Belgium) (until April 27, 2010)		
Alain Chaigneau ⁽¹⁾	Director	60 yrs	Titles and positions held:		
GDF SUEZ Tour T1 1 place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense			Member of the Executive Committee of GDF SUEZ General Secretary of GDF SUEZ Chairman of the Board of Directors of Storengy and SFIG Director of GDF SUEZ Énergie Services, Electrabel (Belgium), GDF SUEZ CC (Belgium), GDF SUEZ Management Company Belgium (Belgium), GDF SUEZ Foundation, Association Lesseps et du Canal de SUEZ and Association des Amis de l'Université Française d'Egypte		
			Titles and positions expired over the past five years:		
			Member of the Supervisory Board of Compagnie Nationale du Rhône (until November 26, 2011) Director of strategy and sustainable development at GDF SUEZ (until May 8, 2011) Chief Operating Officer of SUEZ ENVIRONNEMENT (until January 1, 2007) Various titles and positions within SUEZ ENVIRONNEMENT subsidiaries Aguakan (Mexico) (until April 30, 2008)		

⁽¹⁾ Director appointed on the proposal of GDF SUEZ.

Composition and functioning of management and supervisory bodies

Name	Title	Age	Other titles and positions over the past five years
Jean-François Cirelli(1)	Director	53 yrs	Titles and positions held:
GDF SUEZ Tour T1 1 Place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense			Vice Chairman and President of GDF SUEZ Chairman of the Board of Directors of GDF SUEZ Trading (formerly Gaselys) Vice Chairman of GDF SUEZ Foundation Director of GDF SUEZ Énergie Services Chairman of the Board of Directors of Electrabel and Eurogas (Belgium) Director of GDF SUEZ Belgium (Belgium) Director of International Power (United Kingdom) (since February 3, 2011) Member of the Board of Directors and of the Strategy Committee of Vallourec
			Titles and positions expired over the past five years:
			Vice Chairman and Director of SUEZ-Tractebel (Belgium) (until January 25, 2011) Vice Chairman of Eurogas (Belgium) (until June 11, 2010) Chairman and Chief Executive Officer of Gaz de France (until July 22, 2008) Chairman of the GDF SUEZ (formerly Gaz de France) Foundation (until September 28, 2010) Director of Neuf Cegetel Member of the Supervisory Board of Atos Origin
Gérard Lamarche ⁽¹⁾	Director	50 yrs	Titles and positions held:
GDF SUEZ Tour T1 1 Place Samuel de Champlain Faubourg de l'Arche 92930 Paris La Défense (until December 31, 2011)	(Resigned on December 31, 2011)		Director of Groupe Bruxelles Lambert Director of Legrand
(diffil December 31, 2011)			Titles and positions expired over the past five years:
		-	Member of the Management Committee of GDF SUEZ (until December 31, 2011) Chief Financial Officer of GDF SUEZ (until October 1, 2011) Director of GDF SUEZ Énergie Services (until June 16, 2011) Director of SUEZ-Tractebel (Belgium) (until January 25, 2011) Director of Aguas de Barcelona S.A.(Spain) (until June 28, 2011) Director of GDF SUEZ Belgium (until October 1, 2011) Director of Electabel (Belgium) (until December 21, 2011) Director of International Power (United Kingdom) (until December 8, 2011) Director of GDF SUEZ North America (USA) (until December 31, 2009) Chairman of the Board of Directors of GDF SUEZ CC (formerly Cosutrel) (Belgium) (until November 28, 2008) Director of Europalia (Belgium) (until October 12, 2011) Director of Leo Holding Company (until May 15, 2009) Chairman of the Board of Directors of Genfina (Belgium) (until December 18, 2008) Director of Distrigaz (until October 30, 2008) Director of BNP Paribas Fortis (Belgium) (until July 2, 2010)
Patrick Ouart ⁽¹⁾	Director	52 yrs	Titles and positions held:
Patrick Ouart ⁽¹⁾ LVMH 22 Avenue Montaigne 75008 Paris	Director	52 yrs	Titles and positions held: Member of the Executive Committee of LVMH Advisor to the Chairman of LVMH Group Chairman of Dumez SAS Chairman of Union Maritime de Dragage SAS Director of Etablissement Public du Domaine National de Chambord
LVMH 22 Avenue Montaigne	Director	52 yrs	Member of the Executive Committee of LVMH Advisor to the Chairman of LVMH Group Chairman of Dumez SAS Chairman of Union Maritime de Dragage SAS

⁽¹⁾ Director appointed on the proposal of GDF SUEZ.

Composition and functioning of management and supervisory bodies

Name	Title	Age	Other titles and positions over the past five years
Jérôme Tolot ⁽¹⁾	Director	59 yrs	Titles and positions held:
GDF SUEZ ÉNERGIE SERVICES Tour Voltaire 1 Place des Degrés 92059 Paris La Défense cedex			Executive Vice-President of GDF SUEZ in charge of Énergie Services Member of the Management Committee of GDF SUEZ Chief Executive Officer and Director of GDF SUEZ Énergie Services Member of the Supervisory Board of Savelys Chairman of the Board of Directors of GDF SUEZ Energie Services International (Belgium) Chairman of the Board of Directors of Tractebel Engineering (Belgium) Chairman of the Board of Directors of Fabricom SA (Belgium) Director of Société Monégasque de l'Électricité et du Gaz - SMEG (Monaco), of GDF SUEZ University, Axima Seitha, Cofely Italia SPA (Italy), GDF SUEZ Energy Services España (Spain), of INEO, Cofely Nederland NV (Netherlands) Director of GDF SUEZ Foundation 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:
			Chairman and Executive Director of GDF SUEZ Energy Services International (Belgium) (until April 5, 2011) Director of COFATHEC (until February 3, 2009) Chairman of the Board of Directors of Fabricom GTI (Belgium) Chairman of the Board of Directors of GDF SUEZ Energy Services España (Spain) (until February 2, 2010) Executive Director of Fabricom (Belgium) Director of AXIMA (until March 31, 2008), of SUEZ ENVIRONNEMENT (until October 28, 2008), of Cofely East London Energy Ltd (United Kingdom) (until February 23, 2011)
Penelope Chalmers Small ⁽¹⁾	Director	45 yrs	Titles and positions held:
INTERNATIONAL POWER PLC Senator House 85 Queen Victoria Street London EC4V 4DP United Kingdom	(coopted March 17, 2011)		Executive Vice President of strategy and communication of International Power Titles and positions expired over the past five years:
			Director of Global Resources, in charge of Human Resources, Corporate
Olivier Pirotte ⁽²⁾	Director	45 yrs	Communications and Information Systems of International Power Titles and positions held:
GBL Avenue Marnix, 24 1000 Bruxelles Belgium	21100101	TO JIS	Chief Financial Officer of Groupe Bruxelles Lambert (Belgium) from January 1, 2012 Director and member of the Strategy Committee of Imerys (France) Director of GBL Treasury Center S.A. (Belgium), Brussels Securities S.A. (Belgium), Sagerpar S.A. (Belgium), Ergon Capital Partners III S.A. (Belgium), Belgian Securities B.V. (Netherlands), GBL Verwaltung S.A. (Luxembourg), GBL Investments Limited (Ireland), PGB and GBL Overseas Finance N.V. (Dutch West Indies) Manager of GBL Energy S.à.r.I. (Luxembourg), Immobilière Rue de Namur S.à.r.I (Luxembourg) and GBL R S.à.r.I. (Luxembourg) Member of the Investment Committee of Sagard Equity Partners
			Titles and positions expired over the past five years:
			Director of Equity interests and Investments of Groupe Bruxelles Lambert (Belgium) until December 31, 2011 Director and Chairman of the Audit Committee of Electrabel S.A. (Belgium) (until November 25, 2011) Director of RTL-TVI S.A. (Belgium) (until July 4, 2006) and of SN Airholding S.A. (Belgium) (until June 24, 2009)

⁽¹⁾ Director appointed on the proposal of GDF SUEZ.

⁽²⁾ Directors appointed on the proposal of Groupe Bruxelles Lambert.

Composition and functioning of management and supervisory bodies

Name	Title	Age	Other titles and positions over the past five years
Amaury de Sèze ⁽¹⁾	Director	65 yrs	Titles and positions held:
POWER CORPORATION CANADA 1 Rond Point des Champs Elysées 75008 Paris			Vice Chairman of Power Financial Corporation du Canada (Canada) Lead Director of Carrefour Director of BW Group, Groupe Bruxelles Lambert (Belgium), Erbe SA (Belgium), Pargesa Holding S.A. (Switzerland), Imerys and Thales SA, Chairman of the Supervisory Board of PAI Partners SAS Member of the Supervisory Board of Publicis Groupe
			Titles and positions expired over the past five years:
			Chairman of the Board of Directors of Carrefour SA (until June 21, 2011) Chairman of the Board of Directors of PAI Partners SAS, PAI Partners UK Ltd (United Kingdom), Financière PAI SAS, Financière PAI Partners SAS, Advisor to Cobepa SA Director of Groupe Industriel Marcel Dassault 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 (United Kingdom), PAI Europe IV General Partner NC, PAI Europe IV UK General Partner Ltd (United Kingdom), PAI Europe V General Partner NC, PAI Partners SrI (Italy), Saeco SpA (Italy), Power Corporation du Canada (Canada), Gepeco SA, Novalis SAS, Novasaur SAS, Vivarte SA, Representative of NHG SAS Member of the Supervisory Board of Gras Savoye SCA
Gérald Arbola ⁽²⁾	Director	63 yrs	Titles and positions held:
AREVA 33 Rue Lafayette 75009 Paris			Director of Areva NC Member of the Supervisory Board of Eurodif SA
			Titles and positions expired over the past five years:
Cilles Persiet(3)	Disease	(5.00)	Chief Operating Officer and member of the Board of Areva (until June 29, 2011) Chairman of the Areva Foundation (until September 27, 2011) Chairman of Areva Finance/Gestion (until June 2007) Chairman of Cogerap (until December 2007) Director of CEA (until September 28, 2011) Chairman and Chief Executive Officer of FT1CI (until March 15, 2011) Chairman of the Supervisory Board of STMicroelectronics Holding NV (until May 2008) Vice-Chairman of the Supervisory Board of STMicroelectronics NV (until May 3, 2011) Member of the Management Committee of Areva NP (until March 18, 2011)
Gilles Benoist ⁽³⁾	Director	65 yrs	Titles and positions held:
CNP Assurances 4 Place Raoul Dautry 75015 Paris			Chairman of the Fédération française des sociétés anonymes d'assurance Director and Chief Executive Officer of CNP Assurances Director of Dexia, Sino French Life Insurance, Caixa Seguros and CNP UniCredit Vita Member of the Management Committee of Groupe de la Caisse des Dépôts et Consignations Member of the Supervisory Board of Compagnie Internationale André Trigano Representative of CNP Assurances, Manager of CNP Immobilier, Compagnie immobilière de la CNP-CIMO, llot A5B, Issy Desmoulins, 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 Permanent Representative of CNP Assurances, Chairman of Pyramides 1

⁽¹⁾ Directors appointed on the proposal of Groupe Bruxelles Lambert.

⁽²⁾ Director appointed on the proposal of Areva.

⁽³⁾ Director appointed on the proposal of CNP Assurances.

Composition and functioning of management and supervisory bodies

Name	Title	Age	Other titles and positions over the past five years
			Titles and positions expired over the past five years:
			Chairman of the Management Board of CNP Assurances Permanent Representative of CNP Assurances to the Board of Directors of CNP Caution Member of the Supervisory Board of CDC IXIS Permanent Representative of CNP Assurances, Manager of Le Sextant
			Permanent Representative of CNP Assurances, Chairman of 83 Avenue Bosquet
Harold Boël ⁽¹⁾	Director	47 yrs	Titles and positions held:
SOFINA Rue de l'Industrie, 31 1040 Bruxelles Belgium			Director of Sodavi, Domanoy, United World Colleges Belgium, asbl, François Charles Oberthur Fiduciaire, Electrabel S.A. (Belgium) Observer at Biomérieux Executive Director of Sofina and Henex (Belgium)
Doigiann			Titles and positions expired over the past five years:
			Director of BMF Participation SA (resigned November 1, 2008), Finasucre (not renewed on July 31, 2009) Director of Union Financière Boël (resigned December 5, 2011) Director of Oberthur Technologies (resigned December 1, 2011)
Nicolas Bazire(2)	Director	54 yrs	Titles and positions held:
Groupe Arnault 22 avenue Montaigne 75008 Paris			Chief Executive Officer of Groupe Arnault SAS Member of the Supervisory Board of Rothschild et Cie Banque SCS Director of Carrefour, Groupe Les Echos SA, LVMH Fashion Group, LVMH Moët Hennessy-Louis Vuitton Director of Atos
			Titles and positions expired over the past five years:
			Chairman of the Supervisory Board of LVMH Fashion Group Director of IPSOS
Lorenz d'Este ⁽²⁾	Director	56 yrs	Titles and positions held:
COBEPA Rue de la Chancellerie, 2 1000 Bruxelles Belgium			Managing Partner of E.Gutzwiller & Cie Advisor to the General Management of BNP Paribas
ū			Titles and positions expired over the past five years:
			Director of Sita SA Director of Union Chimique Belge – UCB (April 2010)
Guillaume Pepy ⁽²⁾	Director	53 yrs	Titles and positions held:
SNCF 34 Rue du Commandant Mouchotte 75014 Paris			Chairman and Chief Executive Officer of the SNCF (French Railways)
			Titles and positions expired over the past five years:
			Chairman of Eurostar (up to December 31, 2009) Director of Keolis Group (until December 31, 2009), Eurostar Group Ltd, Eurostar UK Ltd and ICRRL Ltd (until December 31, 2009) Director of Voyages-sncf.com, Wanadoo and Financière Keos (until 2009)
Ezra Suleiman ⁽²⁾	Director	70 yrs	Titles and positions held:
Department of Politics Corwin Hall – Princeton University, NJ, 08544 USA			Director of AXA Financial, Inc. (USA), AXA Equitable Life Insurance Company of America (USA), MONY Life Insurance Company of America (USA)
			Titles and positions expired over the past five years:
			Director of AXA (until April 26, 2011) Member of the Supervisory Board of Axa (until April 29, 2010)

⁽¹⁾ Director appointed on the proposal of Sofina.

⁽²⁾ Independent Director.

Composition and functioning of management and supervisory bodies

Following Dirk Beeuwsaert's resignation on March 9, 2011 from his functions as a Company Director, on March 17, 2011 the Board of Directors, on the proposal of GDF SUEZ and in accordance with the Shareholders' Agreement of June 5, 2008, coopted Penelope Chambers Small to replace him. This cooptation was ratified by the Shareholders' Meeting of May 19, 2011.

Following Gérard Lamarche's resignation on December 31, 2011 from his functions as a Company Director, on February 7, 2012 the Board of Directors, on the proposal of GDF SUEZ and in accordance with the Shareholders' Agreement of June 5, 2008, coopted Isabelle Kocher to replace him. This cooptation will be submitted to the Shareholders' Meeting for approval on May 24, 2012.

Gérard Mestrallet, born April 1, 1949, French, is a graduate of the Ecole Polytechnique and the 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 and then Chairman of the Management Board of SUEZ Lyonnaise des Eaux in June 1997. 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 the AMP at Harvard Business School (1988). He first joined Degrémont in 1978 and was subsequently appointed Chief Operating Officer of Degrémont Espagne in Bilbao in 1989. During this period, he was also appointed Director of Aguas de Barcelona. In 1992, Mr. Chaussade became Chief Executive Officer of Dumez Copisa Espagne. 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 Board of Directors of Lyonnaise des Eaux (France) and of Sita France. He has been Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY since July 23, 2008. Mr. Chaussade has been a member of the GDF SUEZ Management Board since May 1, 2011 and Director of Criteria Caixaholding S.A.U. since October 19, 2011. He has also been Chairman of the Supervisory Board of the Institute of Economic Forecasting for the Greater Mediterranean (IPEMED) since December 9, 2011.

Valérie Bernis, born December 9, 1958, French. A graduate from the Institut Supérieur de Gestion and the Université de Sciences Economiques de Limoges, Mrs. Bernis has been a member of the Office of the Minister of Economics, Finance and Privatization (1986-1988) and Press and Communication Officer for the French Prime Minister's Office (1993-1995). Subsequently a member of the Executive Committee of SUEZ in charge of Communication, Financial Communication and Sustainable Development, Mrs Bernis has, since July 2008, been a member of the Executive Committee of GDF SUEZ in charge of the Communication, Financial Communication and Institutional Relations Departments. She is also an advisor to the Chairman of GDF SUEZ on policy and action plans for extending the role of women in business. Since May 1, 2011, Valérie Bernis has been a member of the Board of Directors and Executive Vice-President of GDF SUEZ in charge of Communications and Marketing.

Alain Chaigneau, born September 8, 1951, French, holds a master's degree in Economic Sciences and is a graduate of the IAE in Paris. After beginning his career at Banque de France and moving into the Treasury Department (Ministry of Finance), he joined Compagnie Financière de SUEZ in 1984 as Deputy Director. In 1989, he was appointed Director 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 at 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 SUEZ Executive Committee. Since July 22, 2008 he is member of the GDF SUEZ Executive Committee and General Secretary of GDF SUEZ since May 9, 2011.

Penelope Chalmers Small, born May 29, 1966, British, was coopted as a Director by the Board of Directors on March 17, 2011, to replace Dirk Beeuwsaert (ratified by the Shareholders' Meeting of May 19, 2011). A mathematics graduate from Oxford University, she began her career as a financial analyst and then a business analyst at BP. She then joined British Gas (BG), where she held successive positions as Director of business development for Central Europe, Eastern Europe and Russia and then Business Director for "Power Generation". In 1997, she joined International Power as Director of business development, then Asset Manager, Director of global resources in charge of Human Resources, Corporate Communication and Information Systems. She is currently Executive Vice-President of Strategy and Communication at International Power Plc.

Composition and functioning of management and supervisory bodies

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 and 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.

Patrick Ouart, born May 25, 1959, French, is a graduate of the Ecole Nationale de la Magistrature. Between 1998 and 2003, he performed various functions within the SUEZ Group before joining LVMH in 2004. He served as advisor to the French President between 2007 and 2009. He is a member of the LVMH Executive Committee and an advisor to the LVMH group's chairman.

Jérôme Tolot, born January 4, 1952, French, is a graduate of INSEAD and the 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 McKinsey consulting firm and Banque INDOSUEZ. He was then successively Executive Vice-President for Finance and Development at Degrémont, Director and Chief Executive Officer of the GTM and VINCI groups, and Chairman and Chief Executive Officer of Sita. In 2002 he was appointed Executive Vice-President and member of the Management Board of SUEZ. Since 2005, he has been Director and Chief Executive Officer of SUEZ Énergie Services which became GDF SUEZ Énergie Services. Since July 22, 2008 he is a member of the Executive Committee of GDF SUEZ. Mr Tolot is also, since May 1, 2011, a member of the Management Board and Executive Vice-President of GDF SUEZ 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, then, Chief Financial Officer since January 1, 2012.

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 Head of BNP Paribas' Equity Interests Unit. Mr de Sèze is also Vice-Chairman of Power Corporation du Canada and lead Director of the Carrefour Group.

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 within Cogema Group (which became Areva NC) before joining Areva. He joined Cogema group in 1982 as Director of Planning and Strategic Studies at SGN, and 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 at Cogema and was made a member of the Executive Committee in 1999, while serving as Chairman of SGN in 1997 and 1998. A member of Areva's Executive Board during 10 years and Chief Operating Officer of Areva during five years, Mr Arbola has been appointed as Director of Areva NC and is a member of the Supervisory Board of Eurodif SA.

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 for 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 et Consignations before being appointed Director of Central Services of the Caisse des Dépôts et Consignations in 1991. From 1993 to July 1998, Mr. Benoist was General Secretary, a member of the Executive Committee and Director of Human Resources for the Caisse des Dépôts et Consignations. Chairman of the Executive Committee 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 science engineering from Ecole Polytechnique Fédérale in Lausanne. He held management positions in the steel industry at Usines Gustave Boël, at 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 and the Institut d'Études Politiques of Paris, and studied at 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 since 1999.

Lorenz d'Este, born December 16, 1955, Belgian, studied at the Université of Saint-Gall in Switzerland and subsequently obtained a master's degree in economic sciences and politics from the University of Innsbruck, Austria. He joined the Swiss bank E. Gutzwiller & Cie in 1983, first as a banking executive and then as senior manager, and 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.

Composition and functioning of management and supervisory bodies

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 (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 and 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. In 1973, he began his career as a professor at the University of California, Los Angeles. Mr. Suleiman is now a professor of political science at Princeton University (IBM Chair). He was a member of the Audit Committee and the Selection, Ethics, Governance and Human Resources Committee of AXA Group. He is a member of the Audit Committee of AXA Financial Inc.

Isabelle Kocher, born December 9, 1966, French, was coopted as Director by the Board of Directors on February 7, 2012, to replace Gérard Lamarche (subject to ratification by the Shareholders' Meeting of May 24, 2012). She is a graduate of the Ecole Normale Supérieure (ENS-Ulm) and a member of the Corps des Mines. In 1997 she was appointed Budget Officer for telecommunications and defense at the Ministry of the Economy. She was industrial affairs advisor to the Prime Minister's Office between 1999 and 2002. In 2002, she joined the SUEZ Group, where she held various positions (from 2002 to 2005 in the Strategy and Development Department; from 2005 to 2007 as Director of Performance and Organization; and from 2007 to 2008 as Chief Operating Officer of Lyonnaise des Eaux in charge of water development in Europe; from 2009 to October 2011, Chief Executive Officer of Lyonnaise des Eaux). She has been Executive Vice-President of GDF SUEZ in charge of Finance since October 1, 2011.

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. Mr. Beeuwsaert began his career in 1971 at Intercom, and 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 of SUEZ Energy International in 2003 and is a member of the SUEZ Executive Committee. 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 GDF SUEZ Executive Vice-President in charge of the Energy Europe and International business line and a member of the GDF SUEZ Management Committee. He also remains a member of the GDF SUEZ Executive Committee and the head of the International Energy division of GDF SUEZ. On March 9, 2011, he resigned as Director of SUEZ ENVIRONNEMENT COMPANY, to take effect at the close of the Board of Directors meeting of March 17, 2011.

Gérard Lamarche, born July 15, 1961, Belgian, is an economic sciences graduate of the Université de Louvain-la-Neuve, and has studied at the INSEAD management institute and Wharton International (Global Leadership series Forum). He began his career in 1983 as a consultant at Deloitte Haskins & Sells, and then moved to Société Générale de Belgique as an Investment Manager in 1988, where he was later appointed Controller and 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 and then Secretary of the Investment Committee and Director and Chief Executive Officer for finance at 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. From July 2008 to October 1, 2011 he was Chief Financial Officer of GDF SUEZ, and on April 12, 2011 was appointed Director of Groupe Bruxelles Lambert. He resigned as Director of SUEZ ENVIRONNEMENT COMPANY as of December 31, 2011.

14.1.2 Chief Executive Officer

Pursuant to the provisions of the Agreement signed on June 5, 2008 (described in Section 18.3.1 of this Reference Document), on July 23, 2008 the Board of Directors opted to separate the functions

of Chairman and Chief Executive Officer and appointed Jean-Louis Chaussade Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY.

Composition and functioning of management and supervisory bodies

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 decisionmaking body that examines the Group's major decisions and guidelines and meets every two weeks;
- · the Executive Committee, which is a Group policy management and implementation body that meets approximately once per month and comprises Management Committee members and the main Business Unit managers.

The Management Committee comprises seven members in addition to Jean-Louis Chaussade:

Christophe Cros, born August 3, 1959, was a magistrate at the Cour des Comptes (1985-1989) and then head of financial organization for the Centre National des Caisses d'Epargne. He studied at Ecole Nationale d'Administration (ENA), 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 Financial and Treasury Officer in 1993. From 1995 to 1998, he was Chief Operating Officer and then Chairman and Chief Executive Officer of Crédisuez, the division covering all of the Group's real estate activities. He was appointed Chief Operating Officer of Sita in 1999, and took over all its European activities in 2002. He is responsible for SUEZ ENVIRONNEMENT's Waste Europe activities and is Chief Executive Officer of Sita France.

Bernard Guirkinger, born April 21, 1952, 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 1990s. In 1995, he pursued his career abroad, heading up operating subsidiaries in Germany, Central Europe and Northern Europe. Leveraging this international experience, he was appointed Chief Executive Officer of Lyonnaise des Eaux in 1996 and then Chairman and Chief Executive Officer in 2002. Since September 2009, he has been Executive Vice-President of SUEZ ENVIRONNEMENT in charge of business coordination for water activities, R&D and Sustainable Development. He is also responsible for institutional relations (European affairs, international agencies and corporate engineering). Bernard Guirkinger has been a member of the Conseil Economique, Social et Environnemental since November 2010.

Denys Neymon, born June 18, 1960, worked for 10 years in the construction industry (Bouygues Group) as Director of Human Resources. In 2002, Mr. Neymon joined the Group as Director of Human Resources for Degrémont. He holds a law degree (1983) and a human resources degree (1984). He has managed the Human Resources and Health and Safety departments of SUEZ ENVIRONNEMENT since 2004, and is also a member of the GDF SUEZ Human Resources Executive Committee.

Jean-Marc Boursier, born October 5, 1967, worked as a Statutory Auditor for Mazars in Paris and London between 1993 and 1999. He holds a civil engineering degree from Telecom SudParis and a master's degree in international finance from École des Hautes Études Commerciales (HEC Paris). Mr. Boursier joined the SUEZ Group in 1999 as financial controller for Sita France. He became head of financial control for Sita in 2000 and then Head of financial control and mergers and acquisitions for Sita in 2001. He was appointed Director of planning and control for SUEZ ENVIRONNEMENT in 2002. He was appointed Chief Financial Officer 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. Mrs. Debon joined France 3, serving as Management Director and 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. Since 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). She joined SUEZ ENVIRONNEMENT on June 1, 2008 as General Secretary in charge of legal and audit. Since September 2009, she has also been responsible for the water and waste project divisions, information systems, risks/ investments, insurance and purchasing. Mrs Marie-Ange Debon is also a Director at Technip (since July 2010) and Groupama (since May 2011).

Frédérique Raoult, born July 13, 1966, is a graduate of the Institut d'Etudes Politiques de Paris with a master's degree in history, and has held a number of communications positions within the Group relating to the environnement. In 1997, she joined Degrémont as Director Of Communications. She has been Director of Communications for SUEZ ENVIRONNEMENT since 2004.

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's degree in science from the Massachusetts Institute of Technology. He began his career working for the French Ministry of Transportation from 1987 to 1989, and then moved to the Générale des Eaux Group, where he held various positions, in particular as head 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, working closely with Chairman and CEO Jean-Louis Chaussade, before becoming Chief Executive Officer in June 2004, a position that he held until October 2009, at which time he became Chairman, Since October 1, 2009, Mr 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.

Conflicts of interest within administrative bodies and general management

14.1.4 Independence of Board of Directors members

Information on the number of independent directors, the independence criteria applied and the results of the review of directors' independence can be found in the Report of the Chairman of the Board of Directors for the fiscal year ending December 31, 2011 in paragraph 1.1, Section 16.5 of this Reference Document.



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.



COMPENSATION AND BENEFITS

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COMPENSATION AND BENEFITS



15.1 COMPENSATION AND BENEFITS IN KIND

Total compensation of the Chief Executive Officer

Compensation For 2011

The following tables summarize the compensation for the Corporate 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 2011	Fiscal year 2010
Compensation due for the fiscal year (see breakdown below)	1,147,952	1,573,023
Value of options allocated during the fiscal year	_	335,637
Value of performance shares allocated during the fiscal year	_	182,856
TOTAL	1,147,952	2,091,516

Summary table of compensation for the corporate officer (in euros)

Jean-Louis CHAUSSADE	Amou	nts in fiscal year 2011	Amou	nts in fiscal year 2010
Chief Executive Officer	Due	Paid ⁽¹⁾	Due	Paid ⁽¹⁾
- Fixed compensation	750,000	750,000	750,000	750,000
- Variable compensation	382,399	810,105	810,105	799,208
- Benefits in kind	15,553	15,553	12,918	12,918
TOTAL	1,147,952	1,575,658	1,573,023	1,562,126

(1) Variable compensation paid corresponds to the variable compensation relative to year n-1.

The gross fixed compensation for Jean-Louis Chaussade has remained unchanged since January 1, 2009 and amounts to €750,000 on an annual basis.

Added to this fixed compensation is a variable portion that may range from 0% to 145% of the fixed portion. The variable portion in 2011, paid in 2012, has been defined according to criteria related to EBITDA growth, free cash flow, net income and ROCE, as well as on a qualitative criterion that represents 15% of the overall weight of the variable portion and relates to governance, the identity of the Group, its strategy and workplace health and safety. The Nominations and Compensation Committee has been informed of the 2011 results and has assessed the level of attainment of these goals. The level of achievement in terms of these quantitative criteria has been precisely set, but cannot be publicly disclosed for confidentiality reasons. Consequently, the variable portion paid in 2012 for 2011

The 2010 variable portion, paid in 2011, totaled €810,105. It was defined on the basis of criteria relating to free cash flow, debt level, net income, Group strategy and management, and workplace health and safety.

In addition to the fixed and variable compensation mentioned above, 2011 benefits in kind totaled €15,552.80, corresponding to €10,372.80 for a company car and €5,180 for the special unemployment

insurance for Company Directors (GSC - Garantie Sociale des chefs et dirigeants d'entreprise). The Company also provides him with a cell phone and a laptop computer.

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 coverage, corporate guarantees and severance payments in the event of dismissal.

Mr. Chaussade also receives the Group supplementary retirement insurance benefits applicable to SUEZ ENVIRONNEMENT employees. These include, first of all, mandatory Group insurance subject to defined contributions as stipulated in Article L.441-1 of the French Insurance Code⁽¹⁾. Secondly, they include a supplementary Group defined-benefits retirement program⁽²⁾. In the event of leaving the Company prior to retirement, and apart from exceptions provided for by law, potential beneficiaries of these programs will only retain the rights acquired through the defined contributions program and will lose all rights acquired through the defined benefits program. As of December 31, 2011, the provisioned retirement obligations for Mr. Chaussade (in the consolidated financial statements prepared according to IFRS) amounted to €4 million (versus €3.5 million as of end-2010).

Mr. Chaussade also benefits from the Company's current Group mandatory insurance and health care plans.

The Chief Executive Officer's situation, both contractually and in terms of severance payments in the event of dismissal, has not changed throughout 2009, 2010 and 2011, and is described below.

Mr. Chaussade has an employment contract with GDF SUEZ, which has been suspended since July 23, 2008. The Board of Directors of February 7, 2012, on the recommendation of the Nominations and Compensation Committee and in accordance with the position of the AMF in its reports on corporate governance for 2009, 2010 and 2011, considering his seniority within the Group – of 34 years – stated that Mr Chaussade was entitled to keep his employment contract.

In accordance with the AFEP-MEDEF Code recommendations, and given that the Chief Executive Officer has a suspended employment contract with the GDF SUEZ Group, the Board of Directors has decided that the Chief Executive Officer's severance compensation should amount to 15 months of gross compensation should the contract be revoked. The Board of Directors also decided upon a number of performance criteria in accordance with the so-called "TEPA" law of August 21, 2007 (see description below).

Finaly, for information purposes, it is also specified that, in accordance with his employment contract with GDF SUEZ, Mr. Chaussade is entitled to the benefits stipulated in the GDF SUEZ collective agreements and a period of six months' notice. The Chief Executive Officer is not entitled to any payments relating to a non-compete clause.

Compensation or

benefits due or that may become due Compensation due Supplementary pursuant to termination pursuant to a non-Corporate officers **Employment contract** retirement plan or a change in duties compete clause Yes No Yes Yes Yes No No Jean-Louis CHAUSSADE with GDF SUEZ Director and Chief Executive Officer Management Company, suspended for the duration of his mandate as Corporate Officer of SUEZ **ENVIRONNEMENT** COMPANY Χ Χ Χ Start of mandate: July 23, 2008 End of mandate: 15 months of at the end of his mandate as Director, i.e. as the total gross of the 2012 GM for the fiscal year 2011 compensation(a)

The payment 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); growth in the SUEZ ENVIRONNEMENT COMPANY share price, 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 (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 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 portion of the total gross compensation that serves as the basis for calculating the severance payment is equal to the average of the variable portions for the two years preceding the year in which the dismissal decision is taken.

⁽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.

COMPENSATION AND BENEFITS

Compensation and benefits in kind

Along with the renewal of the term of Mr. Chaussade as a Director, subject to approval by the General Meeting of May 24, 2012, and pursuant to the recommendations of the Nominations and Compensation Committee of March 15, 2012, it will be proposed to renew in similar terms (i) the retirement, insurance, health care, and special unemployment insurance commitments from which he benefits, as well as (ii) the aforementioned dismissal compensation, including in the second performance condition described in note (a) above a reference to the average growth of the DJ Eurostoxx Utilities index (in addition to the reference to the CAC 40).

Corporate officer's stock options and performance shares

AVAILABILITY OF SHARES RESULTING FROM EXERCISE OF STOCK OPTIONS AND OF PERFORMANCE SHARES

Law No. 2006-1770 of December 30, 2006 to promote employee profitsharing and shareholding and laying down a range of economic and social provisions (known as "Loi Balladur") imposes restrictions on free availability of shares resulting from the exercise of stock options, and to performance shares granted to Corporate Officers as part of plans decided since January 1, 2007.

Pursuant to Articles L.225-185 and L.225-197-1 of the French Commercial Code, the Board of Directors resolved 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 SUEZ ENVIRONNEMENT COMPANY plans, up to a total of 150% of his fixed annual compensation. Moreover, Mr. Chaussade is specifically prohibited from using any hedging instrument involving any stock options or performance shares that may be allocated to him by the Company.

The current SUEZ ENVIRONNEMENT COMPANY stock option and performance share plans are described in Section 15 of the 2009 and 2010 Reference Documents.

STOCK OPTIONS ALLOCATED TO THE CORPORATE OFFICER IN 2011

No stock options were allocated to the Corporate Officer for fiscal year 2011.

PERFORMANCE SHARES ALLOCATED TO THE CORPORATE **OFFICER IN 2011**

No performance shares were allocated to the Corporate Officer for fiscal year 2011.

OPTIONS TO SUBSCRIBE FOR OR PURCHASE GDF SUEZ SHARES EXERCISED DURING THE YEAR BY THE CORPORATE OFFICER

An option was exercised in 2011 relating to the GDF SUEZ (formerly SUEZ) stock option plan of November 19, 2003, which expired on November 18, 2011.

Jean-Louis CHAUSSADE	Plan	Number of options exercised during the year	Exercise price
Chief Executive Officer	SUEZ Plan of Nov 19, 2003	19,341	€12.39

GDF SUEZ PERFORMANCE SHARES THAT BECAME AVAILABLE TO THE CORPORATE OFFICER DURING THE YEAR

Jean-Louis CHAUSSADE	Plan	Acquisition date	Availability date	Number of shares that became available
Chief Executive Officer	SUEZ Plan of Feb 12, 2007	March 15, 2009	March 15, 2011	3,186

15.1.2 Compensation of Management Committee members

All active Management Committee members serving as of December 31, 2011 (see Section 14.1.3), including the Chief Executive Officer, received total gross compensation of €5,410,938 in 2011.

The table below specifies the fixed and variable portions 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 portion	Total variable portion	Total compensation
2009	2,786,578	1,761,999	4,548,577
2010	2,912,678	2,229,637	5,142,315
2011	3,027,761	2,383,177	5,410,938

Added to the compensation described above is an amount corresponding to employee profit-sharing and incentive bonuses,

which totaled €62,201 paid to the entire Management Committee in 2011 for fiscal year 2010. This amount was €96,613 in 2010 for 2009.

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, Penelope Chalmers Small, Jean-François Cirelli, Dirk Beeuwsaert, Alain Chaigneau, Gérard Lamarche (replaced by Isabelle Kocher, coopted by the Board of Directors on February 7, 2012) and Jérôme Tolot are Corporate Officers or employees of the GDF SUEZ Group, and do not receive any compensation from the Company, or any company controlled by or controlling the Company, in connection with their position as Corporate Officers within SUEZ ENVIRONNEMENT COMPANY. None of the Directors (including Jean-Louis Chaussade) 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 share allocations were awarded during the year to the Directors of SUEZ ENVIRONNEMENT COMPANY as officers of the Company.

No stock options or bonus share allocations were exercised during the year by the Directors of SUEZ ENVIRONNEMENT COMPANY as officers of the Company. The total for Director's fee set by the Combined General Shareholders' Meeting of May 20, 2010 was €450,000.

At its meeting of February 7, 2012, the Board of Directors adopted the recommendations of the Nominations and Compensation Committee relating to the distribution of director's fees, as follows:

One portion in the amount 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 each for the Chairmen of the Nominations and Compensation and Ethics and Sustainable Development Committees and €30,000 for the Chairman of the Audit and Financial Statements Committee;
- a variable portion of €80,000 maximum, allocated on the basis of 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 the Directors' fees allocated to Directors, calculated in accordance with the above rules (amounts in euros).

Board members	Directors' fees paid in year N-1 ⁽¹⁾	Directors' fees paid in year N ⁽¹⁾
Gérald Arbola	34,624.99	31,861.11
Nicolas Bazire	48,874.97	40,722.22
Gilles Benoist	34,624.99	29,500.00
Harold Boël ^(II) (III)	31,916.66	28,611.11
Lorenz d'Este ^(II) , Chairman of the Nominations and Compensation Committee	52,166.64	50,750.00
Patrick Ouart	25,500.00	23,000.00
Guillaume Pepy, Chairman of the Ethics and Sustainable Development Committee	55,874.97	56,361.11
Olivier Pirotte ^(II) (IV)	53,583.30	49,000.00
Amaury de Sèze	39,041.65	30,083.33
Ezra Suleiman ^(II) , Chairman of the Audit and Financial Statements Committee	71,291.63	70,500.00
TOTAL	447,499.80	410,388.89

⁽f) The Directors' fees for the second half of 2010 were paid in January 2011; the Directors' fees for the second half of 2011 were paid in February 2012.

⁽II) These gross amounts are subject to withholding tax.

⁽III) The Director's fees were paid to SOFINA.

⁽IV) The Director's fees were paid to Groupe Bruxelles Lambert.

COMPENSATION AND BENEFITS

Amounts provisioned by the Company and its subsidiaries for the payment of pensions, retirement plans and other benefits to the Management Committee members



15.2 AMOUNTS PROVISIONED BY THE COMPANY AND ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT PLANS AND OTHER BENEFITS TO THE MANAGEMENT COMMITTEE MEMBERS

Retirement commitments provisioned in the consolidated financial statements as of December 31, 2011 for the Management Committee members totaled €8.5 million solely for the SUEZ ENVIRONNEMENT retirement programs (versus €8.9 million in 2010).



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16.1 TERMS OF OFFICE FOR MEMBERS OF 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 first appointment	Start date of current mandate	Termination date of mandate
Gérard Mestrallet, Chairman of the Board of Directors ⁽¹⁾	December 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⁾	December 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	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Isabelle Kocher ⁽²⁾ , Director	February 7, 2012	February 7, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Alain Chaigneau, Director	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	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
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 ⁽³⁾ 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	January 14, 2010	January 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	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
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	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Nicolas Bazire, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
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⁾ Gérard Lamarche was appointed as a Director of SUEZ ENVIRONNEMENT COMPANY on December 5, 2007 and resigned his mandate with effect on December 31, 2011. On February 7, 2012, the Board of Directors decided to co-opt Isabelle Kocher as Director to replace Gérard Lamarche for the remaining term of his mandate, which was until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2014. This cooptation is subject to ratification by the Shareholders' Meeting of May 24, 2012.

⁽³⁾ Dirk Beeuwsaert was appointed as a Director of SUEZ ENVIRONNEMENT COMPANY on July 22, 2008 and resigned his mandate with effect from March 9, 2011. On March 17, 2011, the Board of Directors decided to coopt Penelope Chalmers Small as a Director to replace Dirk Beeuwsaert for the remaining term of his mandate, which was until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2013. This cooptation was ratified by the Shareholders' Meeting of May 19, 2011.

Pursuant to the AFEP-MEDEF (AFEP - Association Française des Entreprises Privées; MEDEF - Mouvement des Entreprises de France) recommendations of December 2008 and in order to avoid renewing the entire Board of Directors all at the same time at of the close of the 2012 Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2011, the Board of Directors' meeting of February 24, 2010 decided to implement a staggered renewal of director appointments. Accordingly, Valérie Bernis, Nicolas Bazire, Jean-François Cirelli, Lorenz d'Este, Gérard Lamarche and Olivier Pirotte resigned with effect at the close of the Shareholders' Meeting of May 19, 2011, whereupon the Board of Directors proposed that the same Meeting reappoint them as directors for a four-year term expiring at the close of the Shareholders' Meeting convened in 2015 to approve the financial statements for the fiscal year ending December 31, 2014. The details of this staggered renewal implementation are provided in the Report of the Chairman of the Board of Directors in Section 16.5 of this Reference Document.

As the mandates of Gérard Mestrallet, Jean-Louis Chaussade, Patrick Ouart, Amaury de Sèze, Harold Boël and Ezra Suleiman were to expire at the close of the Shareholders' Meeting convened in 2012 to approve the financial statements for the fiscal year ended December 31, 2011, the Board of Directors decided on March 15, 2012 to propose to shareholders, at the Shareholder's Meeting convened in 2012 to approve the financial statements for the fiscal year ended December 31, 2011, to renew the mandates of Gérard Mestrallet, Jean-Louis Chaussade, Patrick Ouart, Amaury de Sèze and Harold Boël as directors for a four-year period expiring at the close of the Shareholders' Meeting convened in 2016 to approve the financial statements for the fiscal year ending December 31, 2015.

The Board of Directors also decided on March 15, 2012 to propose to shareholders that Delphine Ernotte Cunci be appointed director for a four-year period, set to expire at the close of the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2015, replacing Ezra Suleiman whose mandate is set to expire at the close of the Shareholders' Meeting of May 24, 2012, and to ratify the cooptation on February 7, 2012 of Isabelle Kocher as director to replace Gérard Lamarche who had resigned, for the remaining term of her predecessor's mandate which is set to expire at the close of the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending 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 no member of the Board of Directors or the Chief Executive Officer enjoy benefits as a result of service contracts between them and the Company or any of its subsidiaries.



16.3 BOARD OF DIRECTORS COMMITTEES

In accordance with Article 15 of the Company bylaws, the Board of Directors may decide to set up committees responsible for studying issues that the Board or its Chairman may ask them to investigate.

In this context, the Board of Directors decided to set up four committees at its meeting of July 23, 2008: a Strategy Committee, an Audit and Financial Statements Committee, an Ethics and Sustainable Development Committee and a Nominations and Compensation Committee. Their respective missions are described in the Internal Regulations of the Board of Directors, initially adopted by the Board of Directors on July 23, 2008 and amended at its meeting of February 7, 2012. This document is available on the Company's website (www.suez-environnement.com). For a description of the committees missions prior to the amendment of the Internal Regulations on February 7, 2012 see Section 16.3 of the 2010 Reference Document.

The composition and missions of these committees are detailed in the Report of the Chairman of the Board of Directors for fiscal year 2011 (section 16.5 of this Reference Document).



16.4 STATEMENT ON CORPORATE GOVERNANCE

The Company intends to follow the corporate governance recommendations of the AFEP and the MEDEF 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 (replaced by its subsidiary, Areva NC) and CNP Assurances, the main provisions of which are described in Section 18.3 of this Reference Document

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At its meeting of October 28, 2008, the Board of Directors acknowledged and fully accepted the AFEP-MEDEF recommendations of October 6, 2008 relating to the compensation of the corporate officers, which are perfectly consistent with the policy of transparency that the Company supports. The Company referred to the AFEP-MEDEF Code in drawing up this Reference Document.



16.5 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS PREPARED IN ACCORDANCE WITH 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 and the limits on the powers of the Chief Executive Officer, as well as (2) the internal control and risk management procedures put in place by SUEZ ENVIRONNEMENT COMPANY. This report has been approved at the Board of Directors meeting of February 7, 2012.

1. CORPORATE GOVERNANCE

SUF7 **ENVIRONNEMENT** COMPANY (hereinafter "SUEZ ENVIRONNEMENT" or the "Company") is a French public limited company (société anonyme) with a Board of Directors, governed by applicable French laws and regulations as well as by its corporate bylaws. The Company's bylaws and Internal Regulations, the main elements of which are described in Section 21.2 of the Reference Document, as well as the Director's Charter 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 on June 5, 2008 between GDF SUEZ, Areva, Caisse des Dépôts et Consignations, CNP Assurances, Sofina, Groupe Bruxelles Lambert and SUEZ ENVIRONNEMENT COMPANY, amended on December 18, 2008 (hereinafter the "Agreement"), nine directors are appointed on the proposal of GDF SUEZ and five on the proposal of 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 that are signatories to the Agreement, on the proposal of the Chairman of the Board of Directors, after consultation with the other directors

The bylaws require every director to hold at least 2,000 Company

The composition of the Board of Directors as of 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, Valérie Bernis, Alain Chaigneau, Penelope Chalmers Small, Jean-François Cirelli, Isabelle Kocher (coopted by the Board of Directors on February 7, 2012 to replace Gérard Lamarche), Patrick Ouart and Jérôme Tolot.

- Directors appointed on the proposal of Groupe Bruxelles Lambert: Olivier Pirotte and Amaury de Sèze.
- Director appointed on the proposal of Areva (replaced by its subsidiary Areva NC on November 18, 2011):

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 this 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's 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

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statements. Since then, the composition of the Board of Directors has changed, principally to take the following factors into account:

- Staggered schedule of renewals

In line with best governance practices and in accordance with AFEP-MEDEF Code recommendations, the Board of Directors, after consulting the Nominations and Compensation Committee, decided on February 24, 2010 to implement a staggered schedule of renewals of director appointments in thirds, in order to avoid having to renew the entire Board of Directors all at the same time at the Shareholders' Meeting convened in 2012 to approve the financial statements for the fiscal year ending December 31, 2011 and to thereby facilitate the smooth renewal of directorships.

This staggered renewal approach was first launched 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 one-third of the members of the Board of Directors, resigned their directorships with effect on 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 directorship with effect at the close of the Shareholders' Meeting of May 19, 2011, and were, on the proposal of the Board of Directors, reappointed as directors by the same Shareholders' Meeting for terms expiring at the close of the Shareholders' Meeting 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 directorships to the end of their initial term, i.e. until the close of the next General Meeting that will be convened to approve the financial statements for the fiscal year ending December 31, 2011.

- Diversity and gender equality

During its meeting of October 27, 2010, the Board of Directors, on the recommendation of the Nominations and Compensation Committee, undertook to review diversity issues within the Board, with a particular focus on gender equality. This review continued through 2011 and into early 2012, and the following appointments were made:

On March 17, 2011, the Board of Directors, having accepted the resignation of Dirk Beeuwsaert as director and acting upon the recommendation of the Nominations and Compensation Committee, coopted Penelope Chalmers Small to replace Dirk Beeuwsaert for the remaining term of his mandate, i.e. until the close of the Ordinary Shareholder's Meeting to be convened in 2014 to approve the financial statements for the fiscal year ending December 31, 2013. This cooptation was ratified by the Combined Shareholders' Meeting of May 19, 2011.

The Combined Shareholders' Meeting of May 19, 2011 also ratified renewal of the mandate of Valérie Bernis to the close of the Shareholders' Meeting convened in 2015 to approve the financial statements for the fiscal year ending December 31, 2014.

Finally, on February 7, 2012, the Board of Directors, having accepted the resignation of Gérard Lamarche as director and upon the recommendation of the Nominations and Compensation Committee, coopted Isabelle Kocher to replace Gérard Lamarche for the remaining term of his mandate, i.e. until the close of the Ordinary Shareholder's Meeting to be convened in 2015 to approve the financial statements for the fiscal year ending December 31, 2014. This cooptation will be submitted for ratification by the Combined Shareholders' Meeting of May 24, 2012. Women will henceforth constitute 16.7% of the Board of Directors.

· The independent status (according to the AFEP-MEDEF Code) of certain directors was submitted to an in-depth review in 2009 by the Nominations and Compensation Committee. The Committee concluded by confirming the independence of four directors, Messrs. Bazire, d'Este, Pepy and Suleiman after reviewing the 2009, 2010 and 2011 Reference Documents.

Also questioned was whether directors proposed by shareholders that are signatories of the Shareholders' 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 relationship with the Company, its Group or management, other than the Agreement, that might compromise their independence in exercising their judgment. Although the Agreement provides for prior consensus in voting, it does not take an explicit position on block voting. Consequently, even on the restrictive assumption that none of the Agreementsignatory directors are independent (even if they have no relationship with the Company that may hamper their judgment and are proposed by a shareholder holding less than 10% of share capital), 22% of the Board are independent directors. If directors proposed by shareholders holding 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 to over 33%.(1)

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1.2 General management

1.2.1 Method of exercising General Management

The Board of Directors meeting of July 23, 2008 opted to dissociate the functions of the Chairman of the Board from those of the Chief Executive Officer, whose respective missions are clearly defined in the Company 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, Projects, Information Systems, Risk and Audit; Bernard Guirkinger, coordination of water activities, Research and Development and Sustainable Development; Thierry Mallet, International; Denys Neymon, Director of Human Resources; and Frédérique Raoult, Communications. The biographies of the Management Committee members 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 that meets approximately once per 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 the Board of Directors, and (ii) internal limits on executive powers.

In this respect, the Internal Regulations adopted by the Board of Directors at its meeting of July 23, 2008 and amended by the Board of Directors on February 7, 2012 (hereinafter the "Internal Regulations") defined in Article 4 the limitation on the powers of the Chief Executive Officer, which are summarized hereafter:

- The Chief Executive Officer shall submit the following to the Board of Directors for prior approval:
 - significant transactions likely to affect Group strategy or modify its financial structure, scope, activities or risk profiles. The following in particular are considered significant: transactions involving a commitment in excess of €350 million, treaties, transactions and agreements in case of a dispute if the amount is in excess of €100 million and financial transactions whose total amount exceeds €1 billion;
 - · transactions that fall outside the Company's stated strategy.
- · 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 issue concerning its members. 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.
- 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 two limits, the Chief Executive Officer must request the prior approval of the Board of Directors.

1.3 Preparation and organization of 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 the provisions of its Internal Regulations, which, along with the Director's Charter appended to it, can be viewed online on the Company website (www.suez-environnement.com). The main aspects of the Internal Regulations concerning the Board of Directors' operations are described in section 21.2.2.1 of this Reference Document.

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The Internal Regulations were first adopted by the Board of Directors on July 23, 2008 at the time of the Company's initial public offering. These Internal Regulations were amended by the Board of Directors at its meeting of February 7, 2012. After three-and-a-half years of operations of the Board and its four committees, it was decided, in the interests of good governance, to update the Internal Regulations, in particular to strengthen the committees' missions (especially that of the Audit and Financial Statements Committee), to update and clarify certain provisions relating to Board operations and the limitations on the Chief Executive Officer's powers, and to establish a Director's Charter, which reminds the conditions under which directors are to perform their mandates, their contribution to Board and committees work, the rights and means granted to directors and the rules on confidentiality, independence, ethics and integrity inherent to their functions.

 The Board meets as often as the interests of the Group require. In 2011, the Board met nine times (excluding the Directors' strategy seminar mentioned below), with an attendance rate of 86.7%.

The main issues addressed were business news, results (review of annual, semi-annual and quarterly results), the Group's financial position (debt, bank counterparties, available cash, commercial paper issues, renewals of financing authorizations), the renewal of the share buy-back program, the change in the Board of Directors' composition, the employee share issue, progress at the Melbourne desalination site, as well as divestments projects (Bristol Water in the United Kingdom and Eurawasser in Germany) and development programs.

The Board also renewed the Chief Executive Officer's annual maximum authorized amount with regard to securities, endorsements and guarantees, and approved projects involving guarantees of amounts greater than the Chief Executive Officer's authorization threshold of €100 million. On several occasions, it also reviewed 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 relations with its committees, an individual self-assessment questionnaire was sent to the directors in February 2011. It included a section specific to each committee and provided the opportunity for committee members to give a specific opinion on committee operations. It focused mainly on the improvement areas highlighted during the initial evaluation conducted in 2009-2010. The directors' answers to this questionnaire were presented to the Nominations and Compensation Committee on June 16, 2011. At the end of this second self-assessment, the directors on the whole said that they were satisfied with the work performed by the Board and its committees, though they hoped that the Board's composition would evolve in terms of greater diversity

in director profiles (gender mix, background and experience) and would have fewer members. With respect to Board operations, they suggested that more options on strategic challenges should be presented to the Board and that more time should be given to discussion, and recommended continuing the site visits where the Group operates. With respect to the committees, the directors stated their desire to adjust the committee composition (gender mix, skills and experience, number of members), reduce the length of presentations so as to leave more time for discussion and to questions relating to strategy, safety and ethics.

Various actions were implemented as a result of this review. It was decided to devote a one-day seminar to Group strategy, open to all Directors. This seminar took place on November 9, 2011, and the main issues addressed included the 2020 strategy and vision, key trends and the Group's strategic positioning in the medium term, as well as a presentation of the key strategic options. In addition, the Board of Directors' meeting of June 24, 2011 was held in Antwerp, and followed by a visit of the Baviro energy-from-waste recovery site in the Netherlands. With a view to diversifying the Board of Directors' composition, Penelope Chalmers Small, a British citizen, and Isabelle Kocher were coopted as directors on March 17, 2011 and February 7, 2012 respectively, with Isabelle Kocher further coopted to replace Gérard Lamarche on the Strategy and Audit and Financial Statements Committees. Questions were also raised relating to safety and presented to the Ethics and Sustainable Development Committee on two occasions in 2011.

The Nominations and Compensation Committee will report on Board and committee operations during the course of 2012.

1.3.2 Specialised committees

The Board of Directors is assisted by four committees: the Audit and Financial Statements Committee, the Nominations and Compensation Committee, the Strategy Committee and the Ethics and Sustainable Development Committee. Minutes on each meeting of these various committees were submitted to the Board of Directors and, if need be, within the remit of the latter, a recommendation of decision was made.

AUDIT AND FINANCIAL STATEMENTS COMMITTEE

• The Audit and Financial Statements Committee comprises five members, of whom three are independent (including the Committee Chairman); one is appointed from the directors proposed by GDF SUEZ and one is appointed from the directors proposed by other shareholders that are signatories to the Shareholders' Agreement.

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The composition of the committee is as follows: Ezra Suleiman, Chairman, Isabelle Kocher (coopted by the Board of Directors on February 7, 2012 to replace Gérard Lamarche), Olivier Pirotte, Guillaume Pepy and Nicolas Bazire; Ezra Suleiman, Guillaume Pepy and Nicolas Bazire being independent directors. Taking into account the provisions of the Shareholders' Agreement and the fact that SUEZ ENVIRONNEMENT is a "controlled" entity, three (60%) of the committee members are currently independent directors⁽¹⁾.

As described in the biographies of the members of the Audit and Financial Statements Committee in Section 14 of the Reference Document, various committee members have appropriate financial and/or accounting skills based on their education and/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 committee is assigned the following missions by the Board of Directors, which are consistent with the missions defined for the Audit Committee by the decree of December 8, 2008. The Company also refers to the report of the working group on Audit Committees published by the AMF on July 22, 2010.

- · As regards the financial statements, the committee:
 - monitors the financial information preparation process;
 - reviews, before publication, the draft annual and interim financial statements, the activity and income report and any financial statements (including forecasts) drawn up for specific major transactions and significant financial press releases, before they are circulated to the Board or publicly released;
 - 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 such rules:
 - requests details of any change in the scope of consolidation and, where necessary, obtains all required explanations;
 - whenever it deems it necessary, meets with the statutory auditors, senior executives, financial management personnel, internal auditors and any other member of management; such meetings may take place, where necessary, without the presence of senior executives;
 - 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;
- is periodically informed on the Group's tax situation.
- · As regards external auditing of the Company, the committee:
 - ensures that the Company and the consolidated annual financial statements are audited by the Company's statutory auditors:
 - operates the selection process when appointing or renewing statutory auditors, taking into account the offers of various contemplated audit firms, formulates an opinion on the audit fees for legally prescribed audit assignments and submits the result of this selection in the form of a recommendation to the Board of Directors; the committee also examines issues regarding the possible dismissal of statutory auditors;
 - supervises the rules for referring work other than financial statements auditing to the statutory auditors and, more generally, monitors compliance with the principles that guarantee the independence of the statutory auditors;
 - pre-approves any mission entrusted to the statutory auditors that goes beyond legal audit and that incurs fees exceeding an amount it shall set;
 - examines each year with the statutory auditors the levels of audit fees paid by the Company and the Group to entities from the network to which the statutory auditors belong, their audit schedule, their conclusions, their recommendations and any follow-up on these recommendations;
- arbitrates, where necessary, issues that may arise between the statutory auditors and General Management in the course of their work.
- As regards internal control and auditing of the Company, the committee:
 - evaluates the efficiency and quality of the Group's internal control systems and procedures;
 - examines, with those responsible for internal audit, the audit schedules and action plans involved in internal audit, the conclusions of the said audits, recommendations achieved and their follow-ups, and all this, if applicable, without the presence of senior executives;
 - 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;

⁽¹⁾ The proportion rises to 80% if all directors appointed on the recommendation of Agreement-signatory shareholders other than GDF SUEZ are considered to be independent.

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- entrusts internal audit with any assignment it deems necessary.
- · As regards risks and commitments, the committee:
 - evaluates the efficiency and quality of the Group's systems and procedures for evaluating and managing risks;
 - is regularly updated on the Group's financial and cash position and major commitments and risks;
 - is regularly informed on the main Group's disputes.
- The Audit and Financial Statements Committee met six times in 2011, with an attendance rate of 87%. For practical reasons, since 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. Board documents are circulated to 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 of December 31, 2010, of the half-year financial statements as of June 30, 2011, of the quarterly results and press releases relating to them, the financing and debt position.

The statutory auditors presented to the committee the significant elements of the Company's results and the main options taken.

The committee was also invited to discuss cash forecasts and management's outlook reports.

The committee supervised the execution of the 2011 internal audit plan and the main conclusions of the most significant audits. The committee also reviewed and monitored progress in the internal control plans defined in conjunction with the main Group entities.

The committee analyzed the risk mapping prepared by the Investment and Risk Department and the measures taken to manage identified risks. The committee regularly reviewed major litigation cases underway. The committee also looked at the Group's insurance policy.

In 2011, the committee approved the fees paid to the statutory auditors, and also approved beforehand the tasks assigned to the statutory auditors outside of their audit responsibilities.

The statutory auditors took part in all Audit and Financial Statements Committee meetings.

NOMINATIONS AND COMPENSATION COMMITTEE

 The Nominations and Compensation Committee consists of three members, two appointed from the independent directors (including the Committee Chairman) and one from directors representing shareholders that are signatories to the Agreement. The composition of the committee is as follows: Lorenz d'Este, Chairman, Ezra Suleiman and Amaury de Sèze; Lorenz d'Este and Ezra Suleiman being independent directors.

- The Nominations and Compensation Committee is charged by the Board of Directors to:
 - regularly review the principles and independence criteria relating to Board of Directors members considered to be independent directors;
 - examine all applications for appointment to a seat on the Board of Directors or as a Board observer, where applicable, and 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 the portion 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, if applicable, the allocation of Company stock subscription or purchase options as well as the allocation of bonus shares for the Chairman, Chief Executive Officer, Chief Operating Officers and any other members of the Board of Directors who are also employees;
 - making recommendations to the Board of Directors on the compensation of Board members and, where applicable, observers.

It is also consulted on compensation and other benefits granted to members of the Management Committee.

 In 2011, the Nominations and Compensation Committee met four times with an attendance rate of 92%.

The main issues addressed by the committee related to governance, including an assessment of the Board and its composition, in particular its gender mix.

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The committee also reviewed the Chief Executive Officer's situation (fixed and variable compensation), salary rises for members of the Management Committee and the amount and distribution of directors' fees. On several occasions, it also reviewed the terms and results of the SHARING employee shareholding plan, which was set up in the second half of 2011.

The committee proposed to the Board of Directors that it should postpone its discussions on long-term compensation plans for 2011 to the first quarter of 2012, so that the Board could take into consideration the Group's annual financial statements for 2011. As a reminder, in the two previous fiscal years, the allocation of Company's stock purchase option plan and bonus share plan was reviewed by the Board in December.

STRATEGY COMMITTEE

 The Strategy Committee consists of eight members, two are appointed from the independent directors, three from the directors nominated by GDF SUEZ and three from directors representing other shareholders that are signatories to 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 Isabelle Kocher (coopted by the Board of Directors on February 7, 2012 to replace Gérard Lamarche); Guillaume Pepy and Nicolas Bazire being independent directors.

- The Strategy Committee gives its opinion and submits a recommendation to the Board of Directors concerning:
 - the strategic objectives set by the Board of Directors or proposed by the Chief Executive Officer;
 - all significant projects submitted to the Board of Directors involving internal and external growth, divestment, strategic agreements, alliances and partnerships.

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 2011, the committee met twice with an attendance rate of 88%. The main issues addressed by the committee were the integration of Agbar, the new water business lines, the presentation of the Group's activities in the North Africa/Middle East regions and the asset and liability management policy. A third meeting that was scheduled for fall 2011 was transformed into a one-day strategy seminar open to all directors.

ETHICS AND SUSTAINABLE DEVELOPMENT COMMITTEE

 This committee comprises three members, two are appointed from the independent directors (including the Committee Chairman) and one from directors representing shareholders that are Agreement signatories. 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 that all staff members must follow.

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 Group's current Ethics Charter and ensure that it is circulated and applied;
- ensure that foreign subsidiaries implement the Group's Ethics Charter, taking into account the domestic legal and regulatory framework of the country where they carry out their business;
- carry out training programs intended to support the circulation of the Group's Ethics Charter;
- obtain from the various Group companies information on the solutions they have found to issues presented to their own committee.

The Ethics and Sustainable Development Committee reviews and evaluates:

- the Group's sponsorship and philanthropic initiatives;
- the Health and Safety policies implemented, including their objectives and results;
- the risk management systems and policies involving social and environmental responsibility and sustainable development.
- In 2011, the committee met three times with an attendance rate of 100%.

The main issues addressed by the committee were the Health and Safety policy, including the 2010 year-end report and a mid-year update in August 2011, actions to be implemented, environmental risk management, sustainable development issues (actions and indicators), the diversity and social development policy, the policy on sponsorship and philanthropy and a review of Human Rights protection. The ethics policy was also reviewed with the presentation of the Ethics Officer's report and of the 2010-2011 actions.

Minutes of each meeting of these various committees were submitted to the Board of Directors and, if need be, within the remit of the latter, a recommendation of decision was made.

Report of the Chairman of the Board of Directors prepared in accordance with article L. 225-37 of the French Commercial Code

1.4 Principles and rules agreed upon by the Board of Directors for determining compensation and benefits of any kind for corporate officers

This topic is dealt with in detail in Section 15 of this Reference Document.

It should be noted that on October 28, 2008, the Board of Directors indicated its desire to comply with the AFEP-MEDEF recommendation

on the principles and rules applied to calculate compensation and benefits of any kind awarded to the Company's Chief Executive

1.5 Corporate governance code

The Company follows the corporate governance recommendations defined in the AFEP-MEDEF Code of Corporate Governance of December 2008 (hereinafter the "AFEP-MEDEF Code"). The latest version of this Code, dated April 2010, can be viewed on the following website: http://www.medef.fr/.

The Company follows the AFEP-MEDEF Code in its entirety; 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.

1.6 Specific terms and conditions governing shareholders' participation in shareholders' meetings

The terms and conditions governing shareholder participation in General Meetings are set forth in the Company bylaws under Section VI, Shareholders' Meetings, Articles 20-23.

The terms and conditions governing shareholder participation in General Meetings and their right to vote are also explained in Section 21.2 of this Reference Document.

At the Combined Ordinary and Extraordinary General Meeting of May 19, 2011, 72.35% of shareholders participated in voting with 640 shareholders in physical attendance. SUEZ ENVIRONNEMENT also put in place an electronic method of notifying shareholders of meetings, and 406 shareholders agreed to receive notice of the 2011 General Meeting by e-mail. Of the total, 159 shareholders voted via the Internet and 80 sent their proxy forms to the Chairman via the Internet in relation to the resolutions presented at 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 this Reference Document.

2. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

2.1.1 Group objectives and standards for 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, internal control 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 that aims to provide a complete overview of the risk portfolio

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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 was published on July 22, 2010).

General risk management is also shared with GDF SUEZ, and its principles are consistent with such professional standards, such as ISO 31000 and the reference framework and recommended practices of the Federation of European Risk Management Associations (FERMA).

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, while 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 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 these powers within the limit of the corporate purpose and subject to (i) the powers granted by law to Shareholders' Meetings and 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 comprises 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 and societal relations, is to examine the Group's principal decisions and strategic objectives and to set the operational and performance objectives of the 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 and divestment plans for commitment decisions and to analyze the performance of specific projects underway;
- the Treasury Committee, chaired by the Chief Financial Officer, is the management body covering financial risks;
- · the Group is organized according to 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 linked.

The Business Unit managers and the operating subsidiaries' management teams are in charge, within the scope of their responsibility, of conducting business within the context of the strategic objectives set by the Board of Directors and Management Committee.

After setting the Business Units' operational and performance objectives (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, Finance Department, the General Secretary Department (which includes the Legal Department, Internal Audit Department, Investment and Risk Department, Water and Waste Projects Department and Information Systems Department), the Communications and Societal Relations Department and Research, Innovation and Performance Department.

Report of the Chairman of the Board of Directors prepared in accordance with article L. 225-37 of the French Commercial Code

2.2.2 Risk assessment and management

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 and supported by a network of Risk Officers responsible for seamlessly and consistently rolling out risk assessment and management processes within the various 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, whenever possible. Then the method for dealing with them is reviewed, which provides information for action plans at various Company levels. An action plan may involve 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 within the subsidiaries and SUEZ ENVIRONNEMENT;
 - · the Investment and Risk Department, in conjunction 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
 - 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, in conjunction with the subsidiaries, the Group's main financial risks (rates, currencies, commodities, liquidity and banking

- counterparties) and implements measures for controlling such risks. The Department reports twice a year to the Audit and Financial Statements Committee;
- the Planning and Control Department performs a critical analysis of the subsidiaries' actual and forecast financial performance via monthly monitoring of operating and financial indicators. The department prepares the Group's short-term and mediumterm financial forecasts and participates in 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 Consolidation and Accounting Department ensures that accounting principles are followed.
- The Research, Innovation and Performance Department:
 - · studies and monitors environmental risks and coordinates the actions needed to tighten control of such risks and ensure compliance with environmental requirements. To do so, 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 and prepares solutions for a certain number of emerging risks by developing suitable research programs.
- The Human Resources Department analyzes the main labour 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 various SUEZ ENVIRONNEMENT subsidiaries to issue warnings and manage crises.
- 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 internal obligations relating to information circulation.

Report of the Chairman of the Board of Directors prepared in accordance with article L. 225-37 of the French Commercial Code

2.2.3 Monitoring and assessment of internal control

The Group's internal control monitoring is organized according to the following principles:

- · the mission of the Audit and Financial Statements Committee (as provided for in the Board of Directors' Internal Regulations) is to assess the effectiveness 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 Eighth European Directive into French law);
- the SUEZ ENVIRONNEMENT Management Committee is responsible for implementing internal control systems; this responsibility is rolled out to Business Unit managers and the operating subsidiaries' management teams. 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 riskmapping process managed by the Group's Chief Risk Officer;
- · the Internal Control Department, which depends on 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 of 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, in particular covering 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, in line with the risk matrix prepared by the Chief Risk Officer, 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 entity.

The Group's internal control program is based on dedicated communication and training tools, including an intranet system that enables:

- · the circulation of 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 depends on the General Secretary Department, 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 to the Audit and Financial Statements Committee for approval.

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 that it includes in a report listing the Group's risk and internal control objectives, 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 control within the Group are performed in close coordination with SUEZ ENVIRONNEMENT's statutory auditors. Among other matters, the latter are informed of the internal audit test results.

2.2.4 Compliance with laws and regulations

Compliance with laws and regulations is the responsibility of the Business Unit 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 behaviours contrary to the Group's ethical rules. The SUEZ ENVIRONNEMENT Charter of Ethics (updated in March 2010 and approved by the Board of Directors and the Ethics and Sustainable Development Committee) was circulated within the Group, together with its practical guide. The Group's Ethics Officer is backed by a network of Ethics

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Officers appointed within each of the major subsidiaries, who 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 might 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 context of the Ethics Program. The Group's General Secretary reports to the Board's Ethics and Sustainable Development Committee on Ethics Program activities.

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, and is responsible for producing the financial reports required by law;
- the Human Resources Department ensures compliance with the labour legislation and regulations in force and produces the labor reports required by law. It also implements SUEZ ENVIRONNEMENT's labour policies, particularly those relating to health and safety;
- the Research, Innovation and Performance Department oversees SUEZ ENVIRONNEMENT's compliance in environmental matters and produces the necessary environmental reports within the context of extra-financial communications. An annual representation letter regarding environmental compliance, signed by the subsidiaries' Chief Executive Officers, confirms their commitment in this regard.

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) and applied within SUEZ ENVIRONNEMENT Group, which is accessible via the intranet to all Group finance professionals. This manual is updated regularly according to changes in IFRS standards;
- the Group's closing instructions, which are circulated before every phase of the consolidation process by the Consolidation and Accounting Department. These instructions cover the closing assumptions (exchange, discount 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. These include the set-up and maintenance of 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. This work is carried out with input from the accounting and planning and control teams of each consolidated subsidiary. Each party involved performs checks to enable the circulation, assimilation and correct application of Group accounting standards and procedures in their area of responsibility. These responsibilities are confirmed by the Chief Executive Officers and Chief Finance Officers of each subsidiary or each consolidation level via an annual representation letter.

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 macroeconomic assumptions to be applied and the financial and

Report of the Chairman of the Board of Directors prepared in accordance with article L. 225-37 of the French Commercial Code

non-financial indicators to be measured the following year through the various forecast reviews.

The Planning and Control Department manages the monthly business review meetings 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 to 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

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, in conjunction with the General Secretary Department, 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.

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 Communications Department and Financial Communication Department have implemented procedures aimed at ensuring the reliability of the regulatory information communicated to the market.

Relationships with rating agencies

Within the Financial Department, the Corporate Finance and Projects Department maintains relationships with rating agencies in cooperation with the Financial Communication Department and the Treasury and Capital Markets Department.

2.3 Changes in 2011 and outlook

The Group continues to develop its internal control system every year. This continuous improvement process relies, in particular, on defining and operating an internal control plan that is specific to each of its main subsidiaries. The progress of these plans is presented twice a year to the Audit and Financial Statements Committee.

In 2011, internal control actions mainly included:

- · reformulation of the questionnaire on the general control environment, focusing on priority management themes;
- · deployment of the Group's internal control program in recently acquired entities and smaller entities, using a specific approach that targets key risks;

· adaptation of control mechanisms to information systems currently in development (automatic controls, segregation of duties, etc.).

The main internal control development areas for 2012 are:

- · continuation of deployment of the Group's internal control program in waste recovery activities;
- continuing expansion of the scope covered by the internal control process via an approach that targets key risks.

Gérard Mestrallet

Chairman of the Board of Directors

Statutory auditors' report on the report prepared by the Chairman of the Board of Directors



16.6 STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as statutory auditors of t 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, 2011.

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 the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The 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 course of our work are properly 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 Paris-La Défense, February 8, 2012

The statutory auditors French original signed by

MAZARS

ERNST & YOUNG et Autres

Thierry Blanchetier Isabelle Massa Charles-Emmanuel Chosson Pascal Macioce

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EMPLOYEES



17.1 HUMAN RESOURCES

17.1.1 Key human resources (HR) principles

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 fostering every employee's development;
- · maintain a constructive, transparent dialog with our employees and their representatives.

17.1.2 Values and ethics

In close cooperation with GDF SUEZ, SUEZ ENVIRONNEMENT is committed 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/her physical safety. In terms of eco-responsibility, this commitment involves the notion of sustainable long-term performance.

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 the 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

In a context of evolving business models among the Group's entities and in their organizational structures, the challenges of the employment policy are to implement a consistent, coherent policy to ensure that the Group has the necessary skills to tackle these changes, by hiring the skills we need in new functions, but above all, through training and mobility, which foster the employability of our existing employees.

In 2011, in a context of stable staff turnover, the number of people hired on permanent contracts significantly increased. However, the deteriorating economic climate has led to a more cautious hiring policy since the last quarter of 2011.

Part-time learning and apprenticeships

Along with insertion, the development of part-time learning is one of the five pillars of the "Equal opportunities, social progress, commitment" program (see Section 17.1.4).

In 2011:

- · SUEZ ENVIRONNEMENT took part to a national hiring campaign in cooperation with GDF SUEZ, which allowed for new employees to be integrated into all of its entities;
- SUEZ ENVIRONNEMENT signed the Mobilization Charter, which encourages companies to offer part-time learning programs, set up by the Minister for Apprenticeship. In this respect, the Group is committed to increasing the number of young people in part-time learning in its French entities to 1,000 and hiring 30% of them at the end of their training.

Mobility policy

The Group encourages mobility as a way of optimizing human resources, developing employees and enhancing their employability.

The main tools to promote mobility include:

- · the GDF SUEZ Mobility Charter, which defines the principles underlying the mobility policy;
- · the Taleo tool, which groups all internal job vacancies and allows personnel to apply for them;
- · the Mobility Committee, which comprises the mobility managers of French entities and meets once per month to manage individual situations and anticipate potential difficulties in particular sectors;

- function-based management for support departments (information systems, legal, procurement, communication, finance and human resources); launched in 2011, this management structure makes it possible to increase transfers and career development opportunities;
- · a pool of high potential personnel for positions abroad: with the Group's international development increasingly based on its ability to make its know-how available, it heavily depends upon a human resources policy that promotes such availability through mobility.

In 2011, there were 476 executive transfers within France, of which 107 were inter-BU transfers. Excluding positions reserved for young graduates, 53% of vacancies were filled by transfers.

Training

Presented to all the Group's training managers at a seminar in February 2011, the Training Guidelines manual is the Reference Document for SUEZ ENVIRONNEMENT's training policy. Its clearly stated priority is to "empower our employees to be proactive agents for sustainable development". Staff training is considered an essential element of the human resources policy and supports the Group's overall performance.

The desire expressed by the training managers of SUEZ ENVIRONNEMENT's various business units to work together more and better has led to the formation of the "skills and training network" within the Group, organized around a web 2.0 community, biannual seminars, the sharing of best practices and common think tanks.

In this respect, the 2011 highlights included:

- · e-learning, which grew significantly with an increase of over 300% in the number of hours recorded, in line with the development of reminder and periodic courses. Some business units, such as Agbar, use e-learning as the main training tool for certain careerbuilding paths;
- AMBASSADOR, the Serious Game integration program at SUEZ ENVIRONNEMENT, which received several awards throughout 2011. Voted "Best 2011 Serious Game in France" by a European panel of e-learning professionals, Germany's E-Learning Journal also gave it the "2012 Game-Based Learning" Award. In addition to the commitment to create an integration module for all new SUEZ ENVIRONNEMENT entrants, AMBASSADOR is also an opportunity to reinforce a sense of belonging among all Group employees. Available in five languages, AMBASSADOR is also implemented in all Group subsidiaries;

EMPLOYEES

Human resources

 a think tank on informal apprenticeships was launched within the Group's skills and training network. Despite its proven effectiveness, this type of training remains under-used by training departments. SUEZ ENVIRONNEMENT is convinced that this new mode of apprenticeship brings major benefits and should be developed. That is the direction of the analysis under way in the Group's companies, which should result in an action plan for 2012.

Career paths

Identifying high potentials 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 every person at every level (local and central) to be provided with individualized support.

In 2011, the policy of developing expertise, which is essential for business development, was pursued. Once identified, the Group's experts are positioned in a training path (leadership and communication, knowledge transfer) and offered special career management.

This is supplemented by function-based mobility management for support departments, referred to in the section on mobility policy.

Employee savings plan

The year 2011 was marked by the launch of SHARING, the first shareholding plan reserved for SUEZ ENVIRONNEMENT employees in France and abroad. Nearly 19,000 employees in 19 countries subscribed to this first operation (see Section 17.5).

Social relations

The following bodies are special dialog groups that bring together the Group, its entities and employee representatives.

• The European Works Council (Comité d'Entreprise Européen – CEE)

Established on March 6, 2009, this joint initiative involving GDF SUEZ and all its European trade-unions partners aims to develop and reinforce social dialog and to ensure balanced representation for the Group's structures and business lines.

Working groups have been set up in each business line, allowing SUEZ ENVIRONNEMENT to address, together with all of its European representatives, such corporate issues as jobs, training, mobility, gender equality, health, safety and social guarantees. Composed of 25 members representing 10 nationalities, the Environment Working Group met twice in 2011.

The France Group Committee

Formed on June 2, 2009, this committee 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. This committee met twice in 2011.

Group social agreements

The main agreements concluded since 2009 in all SUEZ ENVIRONNEMENT companies and at GDF SUEZ level are as follows:

Within France:

- implementation of the Group Retirement Savings Plan (PERCO);
- agreement on seniors' jobs and careers, signed December 8, 2009;
- · agreement on prevention of psycho-social risks by improving the quality of life in the workplace, signed February 18, 2010.

Within Europe:

agreement on predictive management for jobs and skills, signed February 23, 2010.

Worldwide:

- · agreement on fundamental health and safety principles, signed February 23, 2010;
- · agreement on fundamental rights, social dialog and sustainable development, signed November 16, 2010.

In 2011, follow-up committees were held for the various agreements signed in 2009 and 2010, and a negotiation on gender equality was initiated at European level.

EMPLOYEES

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. Launched in 2010, the "Equal opportunities, social progress, commitment" program for diversity and social development is the framework that structures the Group's ambitions in this field. It is structured along five main lines:

- · youth employment: part-time learning and insertion;
- · careers for seniors;
- · increasing the proportion of women among staff and in executive
- hiring and support within the Company for those with disabilities;
- · commitment and quality of life in the workplace.

Quantitative targets for 2012 are defined for each of these lines. The Diversity and Social Development Department is tasked with running the program and monitoring the results, in cooperation with a network of 12 sponsors worldwide.

The following were key events in 2011:

- the first Maison pour Rebondir (literally: "Bounce-Back House" or halfway house) was opened on November 2, in Bordeaux. A new SUEZ ENVIRONNEMENT tool for employability and insertion, the Maison pour Rebondir is an associative structure funded by the FONDS SUEZ ENVIRONNEMENT INITIATIVES. Its purpose is to help the most disadvantaged, especially young people and women, into long-term sustainable employment and activities. The Maison pour Rebondir is a meeting point between the Group's local entities offering long-term jobs and regional partners that promote social and economic insertion. Candidates are selected and then follow a personalized path at the Maison pour Rebondir to access the jobs offered. The aim is to set up a number of Maisons, and one is already scheduled to open in Lyon in 2012;
- the Quinzaine du Handicap ("Disability Fortnight") from November 14 to 25, 2011: the first week, coinciding with the 15th French National Disability Employment Week, saw the Group's companies participate throughout France in job fairs specifically for those with disabilities; the second week, the inter-BU Mission Handicap ("Disability Mission") organized a series of awareness actions among SUEZ ENVIRONNEMENT employees at their head offices in the Paris area.

17.1.5 Health - safety - quality of life in the workplace

SUEZ ENVIRONNEMENT's health and safety policy has some of the world's most ambitious corporate targets in the sector. For example, for 2011: frequency rate below 14.8, consisting of 20 in the waste segment and 5 in the water segment, and zero fatal accident for which the Company is responsible, regardless of the status of the victim (full-time employee, part-time employee, subcontractor or third party).

These targets, defined over five-year periods and reviewed annually, are set as part of the annual management review and approved by the Ethics and Sustainable Development Committee (ESDC).

These targets are supported by an action plan to ensure that they are achieved. This plan is prepared by the Health and Safety Department, reviewed and approved by management and the ESDC, and then cascaded throughout the Group's operating subsidiaries. A "safety contract" is agreed upon with the management of each subsidiary at the beginning of the year, and is the subject of a special review at the end of the year to ensure that actions have been implemented and targets achieved. The degree of success in carrying out the terms of this contract affects the bonuses of subsidiaries' executives.

The details of the safety contracts, for each year and at each subsidiary, are based on the history and maturity of the subsidiary's safety management record and on a Group internal rules framework established over the course of a some ten years' continuous effort. This benchmark naturally takes the local regulation into account as well as the operational experience acquired by analyzing accidents and sharing best practices.

The effectiveness of this policy, which has reduced the frequency rate by a factor of 2.5 since SUEZ ENVIRONNEMENT was formed, would not be possible without the personal commitment of management at all levels: Group, business units and regions. This commitment is evidenced by executives' training efforts, site visits and the agendas of business reviews. Operational managers and operators are supported at every level of the organization by a network of approximately 300 health and safety experts.

Social information



17.2 SOCIAL INFORMATION

17.2.1 Breakdown of employees

As of December 31 2011, the Group had 80,410 employees, up 856 or +1.1% over year-end 2010. This change may be broken down as follows:

- an increase of 439 employees due to the following scope effects:
- entry into the scope of consolidation of 1,351 people (acquisition of WSN Environmental Solutions in Australia and PRSP in Poland, plus some tuck-in acquisitions);
- exit from the scope of consolidation of 912 people (mainly due to the transfer of Jiangsu Water and the sale of Bristol Water).
- Organic growth (+417 employees, or +0.5%).

Breakdown of workforce by geographical area

	2009 Number	2010 Number	2011 Number	2011 %
France (metropolitan and overseas dependencies)	32,398	34,948	35,654	44.3%
Europe (excluding France)	21,295	32,347	31,141	38.7%
North America	3,281	3,347	3,362	4.2%
South America	269	252	238	0.3%
Africa/Middle East	4,479	4,377	5,137	6.4%
Asia/Oceania	4,173	4,283	4,878	6.1%
TOTAL (XXX)*	65,895	79,554	80,410	100.0%

^{*} See meaning of (XXX) in Section 17.2.4: methodological factors in the social report.

The workforce in the Africa/Middle East (contracts won by Sita El Beida) and Asia/Oceania (acquisition of WSN Environmental Solutions) regions is growing significantly.

France, where the Group's workforce increased by 2% versus 2010, remains the largest country in terms of number of employees (35,654 employees or 44.3% of the total), ahead of Spain (9,928 or 12.3%), the United Kingdom (6,030 or 7.5%), Morocco (4,703 or 5.8%) and Germany (4,048 or 5.0%).

Breakdown of workforce by socio-economic category

	2009 Number	2010 Number	2011 Number	2011 %
Executives (XXX)*	8,649	10,665	11,181	13.9%
Senior technicians and supervisors (XXX)*	12,302	15,089	15,829	19.7%
Workers, employees, technicians (XXX)*	44,944	53,800	53,400	66.4%
TOTAL	65,895	79,554	80,410	100.0%

See meaning of (XXX) in Section 17.2.4: methodological factors in the social report.

The proportion of executives has been increasing for several years, from 13.1% in 2009 to 13.9% in 2011.

The 35,654 employees in France can be broken down as follows: 5,827 executives (16.3%), 6,922 senior technicians and supervisors (19.4%) and 22,905 workers, employees and technicians (64.3%).

Social information

Percentage of women in the Group

	2009	2010	2011
Proportion of women in the total workforce (XXX)*	18.5%	19.4%	19.8%
Proportion of women in management (XX)*	24.2%	25.6%	26.5%

See meaning of (XX) and (XXX) in Section 17.2.4: methodological factors in the social report.

The percentage of women continues to increase, both in terms of the total Group population and as a percentage of executives.

In France, women made up 21.7% of the total workforce and 28.9% of executives.

Breakdown of workforce by contract type

	2009	2010	2011
Permanent contracts	92.3%	91.3%	91.4%
Fixed-term contracts (FTC)	6.1%	7.3%	6.9%
Part-time learning and insertion contracts	1.6%	1.4%	1.7%

The proportion of employees on permanent contracts was 91.4%, which demonstrates the Group's desire to retain its staff for the long term. In Europe, several Group subsidiaries initially hire their new employees on fixed-term contracts (FTC), leading to a large majority of them moving on to permanent contracts.

The proportion of FTCs was 6.9% at the end of December, relatively unchanged throughout the year.

Part-time learning and insertion contracts (1.7% of the total workforce) break down as follows:

• 1.2% linked to part-time learning contracts (apprenticeships and professionalization contracts in France, and similar types of contracts in other countries, if they exist). At the end of 2011,

there were 965 part-time learning contracts, up 20.6% versus 2010. This change is the result of a deliberate policy of developing parttime learning.

• 0.5% linked to insertion contracts through dedicated initiatives by Sita France (mainly Sita Rebond). At the end of 2011, this involved 372 employees, up 8.5% versus 2010.

In France, 91.7% of employees were under permanent contracts, 4.8% under FTC and 3.5% were on part-time learning or insertion contracts.

Breakdown of workforce by age range (permanent employees only)

	2009	2010	2011
Under 25 (XX)*	3.6%	3.1%	3.0%
25 – 29 (XX)*	9.6%	9.4%	9.1%
30 – 34 (XX)*	11.7%	12.3%	12.7%
35 – 39 (XX)*	15.2%	15.0%	14.6%
40 – 44 (XX)*	16.9%	16.7%	16.3%
45 – 49 (XX)*	16.5%	16.6%	16.8%
50 – 54 (XX)*	13.6%	13.7%	13.9%
55 – 59 (XX)*	9.3%	9.5%	9.9%
60 – 64 (XX)*	3.1%	3.2%	3.2%
Over 65 (XX)*	0.5%	0.5%	0.5%

See meaning of (XX) in Section 17.2.4: methodological factors in the social report.

The average age was 43. The proportion of employees of 50 years of age and up continued to increase, from 26.5% of the workforce in 2009 to 27.5% at the end of 2011. In France, the average age is 42, the proportion of the workforce below 30 years of age was 12.9% and employees 50 and up were 24.3% of the workforce.

Social information

17.2.2 Employment and working conditions

Hiring

	2009	2010	2011
Number of people hired externally under permanent contracts	4,709	5,906	6,773
Number of people hired externally under fixed-term contracts	5,498	10,316	10,601
Hiring rate* (XX)***	15.7%	20.6%	21.6%
Hiring rate under permanent contracts**	46.1%	36.4%	39.0%

^{*} Hiring rate: number of people hired under permanent and fixed-term contracts/Average workforce.

After a significant increase in 2010, partly linked to scope effects, the number of external hires under permanent contracts rose again in 2011: 867 more hires than in 2010, or +14.7%.

The 6,773 permanent hires break down as follows:

 by socio-professional category: 1,119 executives, 1,299 senior technicians and supervisors and 4,355 workers and technical employees;

- by gender: 1,471 women (21.7%) and 5,302 men (78.3%). Among executives: 343 women (30.7%) and 776 men (69.3%);
- by age range: 1,049 employees under 25 years of age (15.5%) and 740 employees 50 and over (10.9%).

In France, the Group hired 6,917 personnel in 2011, consisting of 2,355 on permanent contracts and 4,562 on fixed-term contracts. The overall hiring rate was 19.7% and the hiring rate on permanent contracts was 34%. It should be noted that the number of permanent hires was up 18.5% versus 2010.

Employee turnover

	2009	2010	2011
Number of layoffs	2,654	2,698	2,488
Number of resignations	2,153	2,389	2,868
Number of retirements	656	931	823
Turnover* (XX) ***	7.4%	6.5%	6.7%
Voluntary turnover** (XX)***	3.3%	3.0%	3.6%

^{*} Employee turnover: number of layoffs and resignations/average workforce.

Overall employee turnover was stable, but the distribution between resignations and layoffs changed significantly, the drop in the number of layoffs (-210 or -7.8%) being partially offset by the rise in the number of resignations (+479 or +20%).

In France, overall turnover was 4.4% and voluntary turnover was 1.8%. The volumes were: 901 layoffs, 644 resignations and 324 retirements.

Working conditions

	2009	2010	2011
Overtime rate*	4.9%	4.4%	4.3%
Proportion of part-time workers among total workforce	4.3%	4.6%	4.4%

^{*} Overtime rate: number of overtime hours/Number of hours worked.

In France, overtime represented 2.5% of the total number of hours worked, and part-time workers represented 4.3% of its 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: methodological factors in the social report.

^{**} Voluntary employee turnover: number of resignations/average workforce.

^{***}See meaning of (XX) in Section 17.2.4: methodological factors in the social report.

Social information

Absenteeism

	2009	2010	2011
Absenteeism (days absent/person)	12.1	12.2	12.0
Of which, sick leave (days absent/person)			8.1

Based on a theoretical eight-hour working day, average absenteeism per employee was 12 days in 2011, in line with the averages for 2009 and 2010.

The Group generally believes that absenteeism is not significant, because it comprises absences of all kinds worldwide, including

illness and unpaid vacation days. This rate is therefore dependent upon the social systems and local situations (especially weather) in the various countries.

In France, the average length of absence per employee was 12.5 days, of which 7.8 days involved sick leave.

Disabled workers

	2009	2010	2011
Percentage of disabled/workforce at end of period	1.5%	1.5%	1.7%
Of which France	2.1%	2.3%	2.6%
Of which Germany	4.1%	4.2%	4.2%

The number of disabled workers is an indicator difficult to track at 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 2011, the Group employed 1,362 disabled workers, 116 of whom had been hired that year. Most (79%) of the 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.

In France, the Group estimates that the total insertion rate, including numbers from invoiced contracts in the protected sector on the terms defined in the mandatory disclosure on disability employment (Déclaration Obligatoire à l'Emploi des Travailleurs Handicapés), was 3.0% (2010 data).

Temporary workers

	2009	2010	2011
Average temporary workforce (expressed as FTEs)	6,396	7,322	7,912
As a % of average contractual workforce (expressed as FTEs)	10.0%	9.6%	10.2%

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. The change between 2010 and 2011 was mainly due to Sita El Beida, whose

contracted and part-time workforce rose in a context of significantly increasing activity.

In France, Group entities employed a total of 3,436 temporary workers, representing 10.0% of the contractual workforce.

Workplace safety

	2009	2010	2011
Number of fatal accidents (employees) (XX)***	4	5	4
Frequency rate* (XX) ***	15.35	16.28	14.06
Severity rate** (XX) ***	0.64	0.68	0.66

^{*} 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.

Social information

2011 marked an improvement in our results in this area. The frequency rate improved from 16.28 to 14.06, the severity rate improved slightly from 0.68 to 0.66 and fatal accidents also declined.

These results allowed us to regain the positive trend that we had experienced for a number of years, and demonstrate that, despite the problems and uncertainties of our economic environment, it remains very possible to improve the health and safety of our employees, wherever they may be working around the world.

This progress is due to everyone's efforts, led from the top by management, and results from a series of concrete commitments: intensification of site visits, automatic experience feedback after every significant accident and indexation of executive bonuses to prevention actions.

A wide range of actions have contributed to this progress:

- · better control over specific risks related to our Water activities (chlorine, servicing in confined spaces), Waste activities (site traffic, organization of waste collection, ergonomics of collection vehicles) and in both activities (facilities maintenance, control and securing of dangerous machines);
- · H&S training adapted to each person's mission (operators, managers etc.);
- · proactive communication on incidents/accidents to share the lessons learnt.

17.2.3 Training

	2009	2010	2011
PERCENTAGE OF WORKFORCE TRAINED (XXX)*	59.7%	61.2%	69.4%
DISTRIBUTION OF TRAINED WORKFORCE BY GENDER			
Women	18.7%	19.1%	18.0%
Men	81.3%	80.9%	82.0%
DISTRIBUTION OF TRAINED WORKFORCE BY CATEGORY			
Executives	15.1%	15.0%	15.1%
Senior technicians and supervisors + workers, employees and technicians	84.9%	85.0%	84.9%
TRAINING EXPENSES PER TRAINED PERSON (€/person)	579	532	550
NUMBER OF TRAINING HOURS PER TRAINED PERSON (hrs/person) (XXX)*	23	26	24
Number of training hours per trained woman (hrs/person)	26	25	26
DISTRIBUTION OF TRAINING HOURS BY TOPIC			
Operational technical training	30.6%	28.4%	24.5%
Quality, environment, safety	41.7%	36.6%	40.4%
Languages	4.1%	5.2%	5.4%
Other	23.6%	29.8%	29.7%

^{*} See meaning of (XXX) in Section 17.2.4: methodological factors in the social report.

In 2011, training efforts increased from previous years' numbers. The proportion of employees receiving training rose significantly, while the average number of training hours per employee remained virtually unchanged. The total number of training hours was 1.364 million.

The distribution of workforce trained by gender and category is close to the distribution of total headcount according to these same criteria. In France, 64.9% of employees received training in 2011 (63.2% in 2010), training expenditure per person trained rose to €787 (€702 in 2010) and the number of training hours per trained employee was 26 hours (25 hours in 2010).

17.2.4 Methodological factors in the 2011 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. The reporting scope for 2011 was 100% for all indicators.

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 guarterly 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 seven languages - German, English, Spanish, Italian, Dutch, Polish and Portuguese – and is distributed to all contributors;
- · Magnitude, the 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, these data are consolidated by the subsidiaries and the Group Human Resources Department, in accordance with clearly defined procedures and criteria. These data are 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 Department) level: Group HRD applies consistency controls to the data of all 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 indepth 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;
- 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 1,900 employees;
- · due to the reporting deadlines, the data related to training and hours worked is not always finalized and therefore relates only to the most recent situation;
- · with regard to training, part of the increase in the number of hours and number of trainees reported in 2010 and 2011 was due to efforts to make certain aspects more visible in some entities, as well as the inclusion of e-learning hours where the programs involved were significant and were monitored reliably.

Employee incentives and profit-sharing (France)

FXTFRNAL AUDIT

As in previous years for the SUEZ Group and its BUs' up to 2007, the Group engaged the specialized services of the statutory auditors to verify 4 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 previous tables. The type of work carried out and the conclusions of the statutory auditors will be available in the 2011 Activity Report.

In 2011, in order to anticipate the impact of Article 225 of Grenelle Law 2, the GDF SUEZ Group asked the statutory auditors to carry out additional reviews, including on the following five indicators: number of permanent hires below 25 years of age, number of permanent hires 50 years of age and up, number of absence hours, number of parttime learning contracts and number of employees with disabilities hired during the year. Following these directions, the reporting process related to these indicators for SUEZ ENVIRONNEMENT has been reviewed



17.3 STOCK OPTION AND BONUS SHARE ALLOCATION PLANS

No stock purchase option or bonus share allocation plan was set up in 2011.

PERFORMANCE SHARE PLAN OF MARCH 15, 2012

At its meeting of March 15, 2012 the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, at the proposal of the Appointments and Remunerations Committee, decided to set up a Performance Bonus Share Plan and set out its main characteristics, the purpose of which is to associate top executives, executives, high-potential managers and experts with the Company's future growth and value creation ("A Beneficiaries") as well as to award shares to employees who demonstrate outstanding performance but do not fall within the first set of categories above ("B Beneficiaries"). This Plan will also contribute to enhancing the loyalty of the management teams.

At the proposal of the General Management, the Board has decided that the Chief Executive Officer and the members of the Group's Executive Committee would not benefit from this plan which will concern 1,995 employees and which represents a total amount of 828,710 performance shares, with a vesting period of two to four years depending on the country and beneficiary. In France the shares are also subject to a two-year lock-in period.

These performance share allocations are also subject to certain performance conditions which vary depending on the profile of the beneficiary, and for the Group's 'top executives' (91 beneficiaries) are more demanding as the following two cumulative conditions need to be met:

- market performance condition, specifically SUF7 ENVIRONNEMENT COMPANY's stock market performance compared to the performance average of the CAC 40 and DJ Eurostoxx Utilities indices over the period March 14, 2012 to March 13, 2015;
- · an internal performance condition relating to the Group's cumulative recurring net income between 2012 and 2014 inclusive.

For the 1,116 "B Beneficiaries," all allocated shares are subject to an internal performance condition, specifically the Group's EBITDA between 2012 and 2013 inclusive.

For non-top executive "A Beneficiaries" (788 beneficiaries), allocations are subject to the two internal performance conditions mentioned.

Additional details regarding the allocation of March 2012 will be included in the 2012 Reference Document.

The provisions corresponding to the various plans prior to 2011 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.



17.4 EMPLOYEE INCENTIVES AND PROFIT-SHARING (FRANCE)

Each Group subsidiary in France has implemented profit-sharing agreements (pursuant to the mandatory provisions of French law). Incentive 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.

 €21.5 million was paid out under profit-sharing agreements, benefiting 25,111 employees at an average of approximately €900 per beneficiary; at the same time, €23.2 million was paid out under incentive agreements, benefiting 21,581 employees at an average of almost €1,100 per beneficiary.

In total, these two measures represented €44.7 million, i.e. 5% of the gross payroll of the companies concerned, in line with the €45.6 million paid out in 2010.

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17.5 EMPLOYEE SHAREHOLDING

GROUP SAVINGS PLAN

In 2011, SUEZ ENVIRONNEMENT set up a Group savings plan aimed at all employees of the Group's companies in France and around the world.

The plan was created to serve as a mechanism for acquiring SUEZ ENVIRONNEMENT shares via a company mutual fund and the

allocation of free bonus shares. It also offers the option of investing in a diverse range of savings vehicles.

In France, the Group savings plan supplements the company savings plans that already exist in the Group's companies.

SHARING: EMPLOYEE SHARE ISSUE

SUEZ ENVIRONNEMENT has launched SHARING, its first shareholding offer reserved for employees in France and around the world.

SHARING is aimed at nearly 76,000 employees in 19 countries: Belgium, Chile, China, Czech Republic, Finland, France, Germany, , Hong Kong, Indonesia, Luxembourg, Morocco, the Netherlands, Poland, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, and the United States. This first share subscription offer is in line with the Group's policy of developing employee shareholding, and reinforces the existing relationship between SUEZ ENVIRONNEMENT and its employees by offering them the option of having a greater stake in the Group's growth and performance.

SHARING 2011 offers SUEZ ENVIRONNEMENT employees a choice of two formulae:

- a "Classic" formula, which includes a discount and employer contribution and in which the subscriber is exposed to movements in the share price. In France, employees have benefited from an employer contribution as part of the company savings plan. Outside France, the employer's contribution took the form of a bonus share allocation. In the United Kingdom, an alternative arrangement, the Share Incentive Plan (SIP), was set up;
- a "Multiple" formula (through an exchange agreement with a structuring bank), whereby subscribers receive at maturity at least the amount they have personally contributed plus the higher of

a guaranteed return or a multiple of the SUEZ ENVIRONNEMENT share price's performance. In the United States and Sweden, the Multiple formula was adapted to local laws and implemented as an alternative mechanism called "share appreciation rights." In this formula, the investment ceiling is set at €2,500.

The beneficiaries subscribe to the shares directly or through a company mutual fund, depending upon their country of residence. Subscribers must hold their shares or units until December 8, 2016 (inclusive), unless they are released early.

In all these variants (excluding the SIP), the subscription price is equal to 80% of the average opening price of SUEZ ENVIRONNEMENT shares on the NYSE Euronext Paris stock exchange over the 20 trading days immediately preceding the date that the subscription price is set. The subscription price was set at e 9.12.

The SHARING employee shareholding plan was finally closed on December 8, 2011 in accordance with the original agenda: 18,679 employees in 19 countries subscribed to this first offer.

The success of the SHARING plan attests to employees' confidence in the Group's economic and industrial mode as well as its outlook, three years after its initial public offering.

The level of participation exceeded the limit approved by the General Shareholders' Meeting (10 million shares). The largest subscription applications were therefore reduced to ensure that the total requested did not exceed the authorized limit.

GDF SUEZ 2011 BONUS SHARE PLAN

On June 22, 2011, the GDF SUEZ Board of Directors decided to set up a global bonus share award plan. All employees of GDF SUEZ and its subsidiaries (in France and around the world), controlled or fully consolidated as of April 30, 2011, were granted the right to free bonus shares, subject to meeting a service condition at the end of the vesting period, which varies between two and four years depending upon the country. The number of shares granted under this plan was adapted to SUEZ ENVIRONNEMENT's specific situation, and the number of shares allocated per SUEZ ENVIRONNEMENT employee was set at 10.

Pensions and other employee benefit obligations

GLOBAL BONUS SHARE ALLOCATION PLAN

SUEZ global bonus share plan (July 16, 2007)

In July 2007, 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 each granted 15 free shares subject to meeting a service condition on vesting date and to certain performance conditions being met in 2009. The shares would be delivered to the beneficiaries at the end of a two- or four-year vesting period, depending upon the country.

For all countries with a four-year vesting period, the shares were delivered on July 16, 2011 to beneficiaries who met the service condition.

GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY global bonus share plan (July 8 and June 25, 2009)

Within the context of the agreement implemented within the former SUEZ Group, which was entered into for a period of three years, employees of SUEZ ENVIRONNEMENT and its subsidiaries or companies consolidated in accordance with the full consolidation method as of April 30, 2009 were allocated 30 SUEZ ENVIRONNEMENT COMPANY bonus shares by the Board of Directors on June 25, 2009, i.e. a total of 2,040,810 bonus shares and eight GDF SUEZ bonus shares by that company's Board of Directors on July 8, 2009.

The shares were to be delivered to the beneficiaries at the end of a two- or four-year vesting period, depending upon the country and subject to meeting a service condition on the vesting date.

The SUEZ ENVIRONNEMENT beneficiaries meeting the service condition specified in the plan and for whom the vesting date was June 25, 2011 (for SUEZ ENVIRONNEMENT COMPANY shares) and July 8, 2011 (for GDF SUEZ shares) received 30 SUEZ ENVIRONNEMENT COMPANY shares and 8 GDF SUEZ shares. The shares acquired at the end of the vesting period were registered in an account in the name of the beneficiary or in a mutual fund, and were subject to a lock-in period, which varied depending upon the country.

17.6 PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

A description of the pensions and other employee benefit obligations appears in Note 16 to the consolidated financial statements (Section 20.1).

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MAJOR SHAREHOLDERS

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MAJOR SHAREHOLDERS



18.1 BREAKDOWN OF SHARE CAPITAL AS OF DECEMBER 31, 2011

As of December 31, 2011, the Company's total share capital was €2,040,935,316. It consisted of 510,233,829 shares with a nominal value of €4 each, representing 510,233,829 voting rights.

As of December 31, 2011, the number of shares without voting rights (shares held by the Company under the share purchase program described in Section 21.1.3 of this Reference Document) totaled 3,294,721 shares, hence a total number of exercisable voting rights

The voting rights of the Company's major shareholders 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 major shareholders, based on information available on the date this Reference Document was prepared.

	As of December 31, 2011				cember 31	, 2010	As of December 31, 2009				
Shareholders	Number of shares held	% of shares held	% of exercisable voting rights	Number of shares held	% of shares held	% of exercisable voting rights	Number of shares held	% of e shares held	% of exercisable voting rights		
GDF SUEZ	182,057,361	35.68%	35.91%	173,406,974	35.41%	35.57%	173,406,974	35.41%	35.43%		
Groupe Bruxelles Lambert Caisse des Dépôts	36,746,488	7.20%	7.25%	35,001,610	7.15%	7.18%	35,001,610	7.15%	7.15%		
et Consignations	10,078,220	1.98%	1.99%	9,599,359	1.96%	1.97%	9,599,359	1.96%	1.96%		
Areva (then Areva NC as of Nov 18, 2011)	7,251,292	1.42%	1.43%	6,906,750	1.41%	1.42%	6,906,750	1.41%	1.41%		
CNP Assurances	6,500,390	1.27%	1.28%	6,191,630	1.26%	1.27%	6,191,630	1.26%	1.27%		
Sofina	4,125,000	0.81%	0.81%	4,125,000	0.84%	0.84%	4,125,000	0.84%	0.84%		
TOTAL HELD BY SHAREHOLDERS PARTY TO THE SHAREHOLDERS' AGREEMENT*	246,758,751	48.36%	48.68%	235,231,223	48.04%	48.25%	235,231,323	48.04%	48.07%		
Treasury shares	3,294,721	0.65%	_	2,164,492	0.44%	_	301,000	0.06%	_		
Free float and employee shareholders	260,180,357 (1)	50.99% (2)	51.32% ⁽²⁾	252,303,245 ^{(3),}	51.52% (4)	51.75% ⁽⁴⁾	254,166,737 ⁽⁵⁾	51.90% (6)	51.93% ⁽⁶⁾		
TOTAL	510,233,829	100%	100%	489,699,060	100%	100%	489,699,060	100%	100%		

See Shareholders' Agreement filed with the Autorité des Marchés Financiers (AMF) on June 6, 2008 (D&I 208C1189 of June 20, 2008) and explained in detail in Section 18.3 below.

⁽¹⁾ Of which 25,410,925 were held by Capital Research and Management.

⁽²⁾ Of which 4.99% of the share capital and 5.01% of the (exercisable) voting rights were held by Capital Research and Management.

⁽³⁾ Of which 53,118,508 were held by Capital Research and Management.

⁽⁴⁾ Of which 10.85% of the share capital and 10.89% of the (exercisable) voting rights were held by Capital Research and Management.

⁽⁵⁾ Of which 24,859,713 were held by Capital Research and Management.

⁽⁶⁾ Of which 5.08% of the share capital and of the (exercisable) voting rights were held by Capital Research and Management.

On April 13, 2011, Capital Research and Management Company declared that on April 11, 2011 it had fallen below the lower thresholds of 10% of the share capital and voting rights of SUEZ ENVIRONNEMENT COMPANY by holding 48,729,554 shares of the Company, representing the same number of votes, i.e. 9.95% of the share capital and voting rights.

In a letter dated August 26, 2011, Capital Research and Management Company declared that on August 24, 2011 it had fallen below the lower thresholds of 5% of the share capital and voting rights of SUEZ ENVIRONNEMENT COMPANY by holding 25,410,925 shares of the Company, representing the same number of votes, i.e. 4.99% of the share capital and voting rights.

Other than the instances described above, no other breach of the legal upper or lower thresholds was notified to the Company for 2011.

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 AMF that, upon completion of the so-called 30-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 in the Company, representing the same number of voting rights, i.e. 48.04% of the Company's share capital and voting rights.

In a letter dated July 26, 2011 and published August 1, 2011, GDF SUEZ, in its capacity as manager of the Shareholders' Agreement, informed the AMF that GDF SUEZ, Caisse des Dépôts et Consignations, CNP Assurances, Groupe Bruxelles Lambert, Areva and Sofina together held 246,758,751 shares in the Company, representing the same number of voting rights, i.e., 48.51% of the Company's share capital and voting rights. This change resulted from the option offered by SUEZ ENVIRONNEMENT for a scrip dividend for fiscal year 2010.

In letters dated November 18, 2011, Areva informed the Company that (i) it wished to sell the 7,251,292 shares that it held through its wholly-owned subsidiary Areva NC, and that (ii) Areva NC agreed to all the provisions of the Shareholders' Agreement. The sale was completed on November 18, 2011.

On December 8, 2011, the Company's share capital was changed to €2,040,935,316 divided into 510,233,829 shares and the same number of voting rights. This change in share capital resulted from the cancellation of treasury shares and the issuance of new shares on December 8, 2011 as part of the "SHARING 2011" employee share issue. As a result of these two transactions, the number of Company shares held by GDF SUEZ, Caisse des Dépôts et Consignations, CNP Assurances, Groupe Bruxelles Lambert, Areva NC and Sofina remained unchanged at 246,758,751, representing the same number of voting rights. Accordingly, the above-cited shareholders together now held 48.36% of the Company's share capital.

Pursuant to Article L.233-13 of the French Commercial Code and to the knowledge of SUEZ ENVIRONNEMENT COMPANY, as of December 31, 2011 there were no shareholders other than those mentioned above holding 5% or more of the share capital or voting rights directly, indirectly or together. It should be noted that, in the context of the contribution in 2008 to SUEZ ENVIRONNEMENT COMPANY 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 kept the SUEZ ENVIRONNEMENT COMPANY shares received in exchange for such contribution for three years after the listing for trading on Euronext Paris of 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 retain 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 keeping the Company shares allocated to them by SUEZ for this same period in their capacity as shareholders of the latter and within the context of the spin-off/distribution transaction.

This obligation to retain shares expired in July 2011.

18.2 MAJOR SHAREHOLDERS' VOTING RIGHTS

Each Company share entitles the holder to one voting right.

MAJOR SHAREHOLDERS

Company control - shareholders' agreement



18.3 COMPANY CONTROL - SHAREHOLDERS' AGREEMENT

18.3.1 Shareholders' agreement

On June 5, 2008, GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva (as of November 18, 2011 replaced by its subsidiary Areva NC), CNP Assurances and the Company, entered into a Shareholders' Agreement with regard to their interest in the capital of the Company, for a renewable five-year term to run from the date of approval of the Spin-off/Distribution, i.e. 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 Company Chairman 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 Strategy 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 of consultation among the shareholders that are parties to the Shareholders' Agreement prior to any meeting of the Board of Directors or a Shareholders' Meeting called to make an important decision;
- · a reciprocal right of first refusal among the parties to the Agreement applicable to any sale of shares in the Company under consideration (with the exception of free disposals, in particular including 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 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 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 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, which acts as administrator of the Agreement;
- the prohibition imposed on the parties to the Agreement from purchasing shares that could result in an obligation, for the shareholders acting in concert, to file either a tender offer or a share price guarantee for SUEZ ENVIRONNEMENT COMPANY;
- a tag-along right in favor of the other parties to the Agreement in the event that 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 one-third of its initial stake, 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 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.

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).

An amendment to the Shareholders' Agreement was enacted on December 18, 2008. According to Article 7 of this Agreement, the composition of the Boards 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 operational functioning of the Group, on December 18, 2008 SUEZ ENVIRONNEMENT was transformed into a simplified joint stock company (société par actions simplifiée), whose Chairman is SUEZ ENVIRONNEMENT COMPANY. The parties to the Shareholders' Agreement agreed, under the terms of an amendment signed on that same date, to eliminate the obligation to replicate the composition of the Company's governing bodies within the governing bodies of SUEZ ENVIRONNEMENT.

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, 2011

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 stock market listing (see Sections 16 and 18.3.1 of this 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 that 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 and partnerships, and ensures that all Company shareholders continue to benefit from synergies between the energy and environmental activities.



18.4 AGREEMENTS 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, 2011

Transactions in 2011 by persons indicated in article L. 621-18-2 of the french monetary and financial code.

Name of shareholder	Transaction date	Transaction nature	Number of shares	Price/share
Gérard Mestrallet	06/27/2011	Scrip dividend option	749	€13.03
Gérard Mestrallet*	06/27/2011	Scrip dividend option	86	€13.03
Jean-Louis Chaussade	12/08/2011	Subscription to the mutual fund, « classic » and « multiple » formulae as part of the SHARING 2011 issue	760.6**	€9.12
Jean-Marc Boursier	12/08/2011	Subscription to the mutual fund, « classic » and « multiple » formulae as part of the SHARING 2011 issue	615.3**	€9.12
Penelope Chalmers Small	04/13/2011	Prêt de titres	2,000	€14,54
Christophe Cros	12/08/2011	Subscription to the mutual fund, « classic » formula as part of the SHARING 2011 issue	687.9**	€9.12
Bernard Guirkinger	12/08/2011	Subscription to the mutual fund, « classic » formula as part of the SHARING 2011 issue	687.9**	€9.12
Patrick Ouart	02/17/2011	Purchase	1,000	€15.81
Patrick Ouart	06/27/2011	Scrip dividend option	150	€13.03
Patrick Ouart	11/21/2011	Purchase	350	€9.42
Patrick Ouart	11/23/2011	Purchase	500	€8.99
Jérôme Tolot	06/27/2011	Scrip dividend option	1,288	€13.03

^{*} Transactions carried out by related individuals

^{**} Rounded number of mutual fund shares

MAJOR SHAREHOLDERS

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, 2011

Following the resignation from his Director mandate, Mr. Dirk Beeuwsaert gave back, on April 13, 2011, the 2,000 shares that he had been granted for a total value of €29,080.

The above table is based on information provided to the Compay by the Directors and management executives concerned.

Number of shares held by members of the Board of Directors at December 31, 2011

	Number of shares held at December 31, 2011
Gérard MESTRALLET	15,266 shares ⁽¹⁾
Jean-Louis CHAUSSADE	5,500 shares and 760.6 subscriptions to the mutual fund ⁽⁴⁾
Gérald ARBOLA	2,000 shares
Nicolas BAZIRE	2,000 shares
Gilles BENOIST	3,000 ⁽³⁾ shares
Valérie BERNIS	2,087 ⁽¹⁾ shares
Harold BOEL	5,555 ⁽²⁾ shares
Alain CHAIGNEAU	2,000 ⁽¹⁾ shares
Penelope CHALMERS SMALL	2,000 ⁽¹⁾ shares
Jean-François CIRELLI	2,000 ⁽¹⁾ shares
Lorenz d'ESTE	2,139 shares
Amaury de SEZE	2,000 shares
Patrick OUART	4,000 shares
Guillaume PEPY	2,087 shares
Olivier PIROTTE	2,085 shares
Ezra SULEIMAN	2,260 shares
Jérôme TOLOT	35,634 ⁽¹⁾ shares

- (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.
- (3) Of which, 2,000 shares as a loan granted by CNP Assurances.
- (4) « classic » and « multiple » formula as part of the SHARING 2011 issue.

This table is based on information provided to the Company by the Directors.

Following the resignation from his Director mandate, the loan agreement between Mr. Gérard Lamarche and GDF SUEZ was terminated; Mr. Lamarche returned 2,000 shares to GDF SUEZ.

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 upon which various Company officers exercise at least a significant influence.

A breakdown of transactions with these related parties for fiscal years 2011 and 2010, particularly GDF SUEZ and its subsidiaries, appears in Section 20.1, Note 22 of this document. The transactions are not significant at SUEZ ENVIRONNEMENT Group level.

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's 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 communications.

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 will also develop a joint global research policy and 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, integrated process of planning preparation, resource allocation and reporting will also be maintained.

In the field of financial and tax policy, 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 to ensure Group-wide consistency. Likewise, the implementation of policies governing cash flow, financing and the management of translational financial risks and financial vehicles will be centralized. Each of the two entities will nevertheless remain responsible for its own financial and tax policy.

In terms of IT, the Company will comply with the group IT 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 relating to cooperation between GDF SUEZ and the Company in the fields of insurance, logistics, procurement, real estate and legal services, as well as in relations with public authorities.

HUMAN RESOURCES

The Company and GDF SUEZ have reaffirmed their adherence 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 regarding 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 shareholding plans. In accordance with their respective interests, GDF SUEZ and the Company will carry out comprehensive, integrated

management of the careers of current executives and their potential future successors within the Group

SHARED SERVICES

The Company and GDF 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 terminated early 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 certain other brand names. SUEZ ENVIRONNEMENT is furthermore 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 communications 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 2008-2010 period.

Under this contract, financing was provided by SUEZ Finance or by any other entity of the GDF SUEZ Group 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 upon 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 purpose of obtaining financing.

This contract expired on December 31, 2010. The Company and GDF SUEZ signed a new agreement, under which GDF SUEZ would provide a €350 million line of credit that would take effect on January 1, 2011 and expire in July 2013. This line of credit will be on market terms at the time it is used, and its main provisions are identical to the Master Agreement of June 5, 2008. The operation 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, sureties 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 commitment 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 (replaced by Areva NC on November 18, 2011) and CNP Assurances, the main provisions of which are described in Section 18.3 of this Reference Document.

The Shareholders' Agreement was amended on December 18, 2008, as described in Section 18.3.1 of this Reference Document. 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 POSITION AND REVENUES**



20.1 CONSOLIDATED FINANCIAL STATEMENTS

20.1.1 Consolidated statements of financial position

In millions of euros	Note	December 31, 2011	December 31, 2010
NON-CURRENT ASSETS			
Intangible assets, net	10	4,045.9	3,778.8
Goodwill	9	3,245.3	3,128.0
Property, plant and equipment net	11	8,782.6	8,855.2
Available-for-sale securities	12	410.9	517.7
Loans and receivables carried at amortized cost	12	662.3	611.9
Derivative financial instruments	12	193.5	171.2
Investments in associates		498.2	443.3
Other assets		87.3	106.8
Deferred tax assets	7	741.3	782.1
TOTAL NON-CURRENT ASSETS		18,667.3	18,395.0
CURRENT ASSETS			
Loans and receivables carried at amortized cost	12	196.8	194.3
Derivative financial instruments	12	34.4	9.2
Trade and other receivables	12	4,118.0	3,871.8
Inventories		331.0	273.1
Other assets		1,172.9	1,095.8
Financial assets measured at fair value through income	12	14.7	264.7
Cash and cash equivalents	12	2,493.5	1,826.5
TOTAL CURRENT ASSETS		8,361.3	7,535.4
TOTAL ASSETS		27,028.6	25,930.4

Consolidated financial statements

In millions of euros	Note	December 31, 2011	December 31, 2010
Shareholders' equity, Group share		4,946.1	4,772.6
Non-controlling interests		1,871.1	1,854.2
TOTAL SHAREHOLDERS' EQUITY	14	6,817.2	6,626.8
NON-CURRENT LIABILITIES			
Provisions	15	1,289.0	1,154.4
Long-term borrowings	12	8,035.6	8,333.9
Derivative financial instruments	12	156.4	108.6
Other financial liabilities		3.1	122.1
Other liabilities		569.3	511.7
Deferred tax liabilities	7	583.9	696.2
TOTAL NON-CURRENT LIABILITIES		10,637.3	10,926.9
CURRENT LIABILITIES			
Provisions	15	545.6	502.1
Short-term borrowings	12	2,035.2	1,306.2
Derivative financial instruments	12	32.8	40.6
Trade and other payables	12	2,752.5	2,878.7
Other liabilities		4,208.0	3,649.1
TOTAL CURRENT LIABILITIES		9,574.1	8,376.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		27,028.6	25,930.4

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

Consolidated financial statements

20.1.2 Consolidated income statements

In millions of euros	Note	December 31, 2011	December 31, 2010
Revenues		14,829.6	13,869.3
Purchases		(3,439.5)	(3,572.9)
Personnel costs		(3,663.3)	(3,290.8)
Depreciation, amortization and provisions		(1,178.8)	(1,026.8)
Other operating expenses		(5,757.6)	(5,021.0)
Other operating income		249.0	67.0
CURRENT OPERATING INCOME	4	1,039.4	1,024.8
Mark-to-market on operating financial instruments		(4.5)	1.0
Impairment on property, plant and equipment, intangible and financial assets		(69.0)	(85.2)
Restructuring costs		(39.9)	(82.8)
Scope effects		122.4	366.4
Other gains and losses on disposals and non-recurring items		43.4	(2.9)
INCOME FROM OPERATING ACTIVITIES	5	1,091.8	1,221.3
Financial expenses		(556.9)	(508.2)
Financial income		152.1	94.6
Net financial income (loss)	6	(404.8)	(413.6)
Income tax expense	7	(174.2)	(119.0)
Share in net income of associates		37.4	31.4
NET INCOME		550.2	720.1
of which: Group share		322.8	564.7
non-controlling interests		227.4	155.4
Net income (Group share) per share (in euros)	8	0.60	1.15

Consolidated financial statements

20.1.3 Consolidated statements of comprehensive income

In millions of euros	Note	December 31, 2011	Of which, Group share	Of which, non-controlling interests	December 31, 2010	Of which, Group share	Of which, non-controlling interests
NET INCOME		550.2	322.8	227.4	720.1	564.7	155.4
Available-for-sale securities	12	(57.0)	(56.8)	(0.2)	6.6	5.5	1.1
Net investment hedges		(37.5)	(39.2)	1.7	(65.6)	(63.3)	(2.3)
Cash flow hedges (excluding commodities)	13	(6.0)	(2.7)	(3.3)	(6.4)	(5.6)	(0.8)
Commodity cash-flow hedges	13	1.1	2.0	(0.9)	15.5	17.3	(1.8)
Translation adjustments		40.9	117.8	(76.9)	177.6 ^(b)	144.8	32.8
Deferred taxes	7	15.9	15.4	0.5	9.8	9.0	0.8
Share in comprehensive income of associates		(27.8)	(27.8)		20.9	20.9	
TOTAL Other comprehensive income reclassifiable ^(a)		(70.4)	8.7	(79.1)	158.4	128.6	29.8
Actuarial gains and losses		(81.1)	(79.3)	(1.8)	(1.6)	(2.6)	1.0
Translation adjustments on actuarial gains and losses		(2.0)	(2.0)	0.0	(5.0)	(4.7)	(0.3)
Deferred taxes on actuarial gains and losses	7	27.8	27.3	0.5	4.8	4.9	(0.1)
TOTAL Other comprehensive income non reclassifiable ^(a)		(55.3)	(54.0)	(1.3)	(1.8)	(2.4)	0.6
COMPREHENSIVE INCOME		424.5	277.5	147.0	876.7	690.9	185.8

⁽a) The Group has decided to apply the amended IAS 1 early (see Note 1). Some elements under "Other comprehensive income" will therefore be subsequently reclassified to net income, and others will not.

⁽b) 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.

Consolidated financial statements

20.1.4 Statements of changes in consolidated shareholders' equity

In millions of euros	Number of shares	Share Capital	Premiums	lidated		Translation adjustments		Undated deeply subor- dinated notes	Share- holders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 2009	489,699,060	1,958.8	4,002.9	(2,135.0)	(1.7)	(144.4)	(4.7)		3,675.9	742.2	4,418.1
Net income				564.7					564.7	155.4	720.1
Available-for-sale securities					5.5				5.5	1.1	6.6
Net investment hedges					(63.3)				(63.3)	(2.3)	(65.6)
Cash flow hedges (excluding commodities)					(16.8)				(16.8)	(0.8)	(17.6)
Commodity cash flow hedges					17.3				17.3	(1.8)	15.5
Deferred taxes					15.6				15.6	0.8	16.4
Actuarial gains and losses				2.3					2.3	0.9	3.2
Translation adjustments						165.5			165.5	32.6	198.1
Other											
Other comprehensive income items				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											
Share-based payment				36.4					36.4		36.4
Capital increase/reduction										3.1	3.1
Allocation to legal reserves											
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) ^(a)
Business combinations				31.1					31.1	1,130.9 ^(b)	
Other changes				(4.8)					(4.8)	(0.7)	(5.5)
Undated deeply subordinated notes issue				, ,,				744.8	744.8	, ,	744.8
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

⁽a) This movement corresponds to changes linked to acquisitions or disposals involving no change of control, and mainly relates to the Agbar public delisting offer.

⁽b) This movement mainly relates to the impact of the takeover of Agbar Group in 2010. In accordance with IFRS 3 revised, it was then fully consolidated and additional non-controlling interests (24.8% versus 5.1% before the transaction) were recognised.

Consolidated financial statements

	Number of	Share			Change in fair value	Translation	Treasury	Undated deeply subor- dinated	Share- holders' equity, Group	Non controlling	
In millions of euros	shares	Capital	Premiums	reserves	and other	adjustments	shares	notes	share	interests	Total
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
Net income				322.8					322.8	227.4	550.2
Available-for-sale securities					(56.9)				(56.9)	(0.2)	(57.1)
Net investment hedges					(39.2)				(39.2)	1.7	(37.5)
Cash flow hedges (excluding commodities)					(42.9)				(42.9)	(3.3)	(46.2)
Commodity cash flow hedges					2.5				2.5	(0.9)	1.6
Deferred taxes					27.4				27.4	0.5	27.9
Actuarial gains and losses				(51.9)					(51.9)	(1.3)	(53.2)
Translation adjustments						115.7			115.7	(76.9)	38.8
Other											
Other comprehensive income items				(51.9)	(109.1)	115.7			(45.3)	(80.4)	(125.7)
Comprehensive income				270.9	(109.1)	115.7			277.5	147.0	424.5
Employee share issues(c)	9,896,038	39.6	46.1						85.7		85.7
Share-based payment				29.0					29.0		29.0
Capital increase/reduction ^(d)	(8,370,000)	(33.5)	(65.3)						(98.8)	34.9	(63.9)
Allocation to legal reserves			(8.2)	8.2							
Dividends and interim dividends distributed in cash ^(e)				(68.8)					(68.8)	(172.7)	(241.5)
Scrip dividends ^(e)	19,008,731	76.0	171.7	(247.7)						, ,	. ,
Interests on undated deeply subordinated notes issue								(23.7)	(23.7)		(23.7)
Purchase/sale of treasury shares				(16.4)			(6.2)		(22.6)		(22.6)
Transactions between shareholders				(12.6)					(12.6)	29.6 ^(f)	17.0
Business combinations				4.2					4.2	(22.2) ^(g)	(18.0)
Other changes				3.6					3.6	0.3	3.9
Shareholders' equity at December 31, 2011	510,233,829	2,040.9	4,147.2	(1,911.0)	(152.5)	136.8	(36.4)	721.1	4,946.1	1,871.1	6,817.2

⁽c) As a result of the SHARING 2011 global employee shareholding plan, share capital increased by 9.9 million shares or €85.7 million after expenses.

⁽d) At its meeting of December 8, 2011, the Board of Directors decided to reduce capital by cancelling 8,370,000 shares.

⁽e) The Shareholders' Meeting of May 19, 2011 gave shareholders the option to receive the €0.65 per share dividend either in cash or as a scrip dividend. This dividend was paid out on June 27, 2011 in the form of €68.8 million in cash and €247.7 million in shares, increasing the number of shares by 19,008,731.

⁽f) Change mainly due to the impact of the dilution of Sita France, without loss of control, in the company Boone Comenor, following a capital increase subscribed exclusively by Renault.

⁽g) Change due mainly to Jiangsu Water moving from the fully consolidated to the proportionally consolidated method following the loss of control of this entity in 2011 (see Note 2).

Consolidated financial statements

20.1.5 Consolidated statements of cash flows

In millions of euros	December 31, 2011	December 31, 2010
Net income	550.2	720.1
- Share in net income of associates	(37.4)	(31.4)
+ Dividends received from associates	32.3	44.3
- Net depreciation, amortization and provisions	1,142.8	1,045.6
- Scope effects, other gains and losses on disposal and non-recurring items	(165.9)	(370.7)
- Other items with no cash impact	29.4	36.2
- Income tax expense	174.2	119.0
- Financial income	404.8	413.6
Cash flows from operations before financial income/(expense) and income tax	2,130.4	1,976.7
+ Tax paid	(163.2)	(355.6)
Change in working capital requirements	(65.3)	268.5
Cash flow from operating activities	1,901.9	1,889.6
Investments in property, plant and equipment and intangible assets	(1,409.7)	(1,346.0)
Takeover of subsidiaries net of cash and cash equivalents acquired	(186.5)	(468.0)
Acquisitions of interests in associates and joint-ventures	(51.1)	(22.5)
Acquisitions of available-for-sale securities	(22.0)	(96.5)
Disposals of property, plant and equipment and intangible assets	69.0	64.6
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold	69.7	443.5
Disposals of interests in associates and joint ventures	3.5	121.9
Disposals of available-for-sale securities	14.9	2.4
Interest received on non-current financial assets	9.0	(9.4)
Dividends received on non-current financial assets	34.0	24.4
Change in loans and receivables issued by the Company and others	(92.2)	(29.4)
Cash from investing activities	(1,561.4)	(1,315.0)
Dividends paid ^(a)	(280.6)	(456.8)
Repayment of borrowings	(1,470.6)	(3,949.6)
Reduction in capital paid to non-controlling interests ^(b)	(4.7)	(141.7)
Change in financial assets at fair value through income	251.0	916.5
Financial interest paid	(379.2)	(378.3)
Financial interest received on cash and cash equivalents	46.0	10.2
Increase in financial debt	2,135.0	1,818.9
Increase in share capital ^(c)	24.9	4.3
Undated deeply Subordinated Notes issued by SUEZ ENVIRONNEMENT COMPANY net of costs	0.0	742.1
Purchase/sale of treasury shares	(24.3)	(41.1)
Change in share of interests in controlled entities	(0.5)	(1.1)
Cash flows from financing activities	297.0	(1,476.6)
Impact of changes in exchange rates and other	29.5	16.8
TOTAL CASH FLOW FOR THE PERIOD	667.0	(885.2)
OPENING CASH AND CASH EQUIVALENTS	1,826.5	2,711.7
CLOSING CASH AND CASH EQUIVALENTS	2,493.5	1,826.5

⁽a) including withholding tax.

⁽b) In 2010, this mainly relates to Agbar's purchase of its own shares as part of the public delisting offer.

⁽c) In 2011, this flow of \in 24,9 million mainly relates to:

^{+€85,7} million (capital increase of SUEZ ENVIRONMENT COMPANY as part of the SHARING global employee shareholding plan, see note 14)

^{€98,8} million (reduction in the share capital of SUEZ ENVIRONNEMENT COMPANY)

^{+€34,9} million (subscription by non controlling interests to a capital increase of SembSita Pacific)

Consolidated financial statements

20.1.6 Notes to the consolidated financial statements

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NOTE 1 Basis of presentation, principles and accounting policies

1.1 Basis of presentation

SUEZ ENVIRONNEMENT COMPANY SA., the Parent Company of the Group, is a French *société anonyme* subject to the provisions of Book II of the French Commercial Code, as well as to all other legal provisions applying to French commercial corporations. It was incorporated in November 2000. The Group's headquarter is in the CB21 tower – 16 place de l'Iris - 92040 Paris La Défense – France.

The Group is a major international player in the water and waste industries. It came about as the result of the SUEZ Group's 2008 regrouping of all its subsidiaries and holdings in the environment sector, within SUEZ ENVIRONNEMENT COMPANY, as part of the merger between Gaz de France and SUEZ. SUEZ ENVIRONNEMENT COMPANY has been listed on the Euronext Paris market (Compartiment A) and Euronext Brussels market since July 22, 2008.

The creation of the Group results from reclassifications carried out between different holding companies of SUEZ Group. These reclassifications have not made any change to SUEZ SA's control of the entities that comprise this Group. These link-ups between

entities under common control do not fall within the scope of IFRS 3 – *Business combinations* – applicable at the time of the operation, and have been recognized 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 February 7, 2012, 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, 2011.

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1.2 Accounting standards

Pursuant to European Commission Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, the financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ ENVIRONNEMENT COMPANY has been provided for the last two fiscal years ended December 31, 2010 and 2011, and was 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, 2011 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, 2011 are consistent with those applied in preparing the financial statements of December 31, 2010, 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 2011 annual financial statements

- IAS 24 revised Related Party Disclosures: the new definition of a related party introduced in the revised standard effective for the first time in 2011 has no impact on the scope of the Group's related parties at December 31, 2011. However, additional disclosures are required in respect of commitments with related parties (see Note 22)
- Amendment to IAS 32 Classification of Rights Issues
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Improvements to IFRS 2010

Except IAS 24 revised, these amendments and interpretations have no material impact on the Group's consolidated financial statements for the year ended December 31, 2011.

1.2.2 IFRS standards, amendments and IFRIC interpretations that are mandatory after 2011 and that have been early adopted by the SUEZ ENVIRONNEMENT COMPANY Group

 Amendment to IAS 1 – Presentation of items of Other Comprehensive Income⁽²⁾: The Group decided to early adopt this amendment which, although not yet endorsed by the European Union, provides useful information which is compliant with current IAS 1. Accordingly, elements of other comprehensive income that will be subsequently reclassified in profit and loss are presented separately from those that will not.

1.2.3 IFRS standards, amendments and IFRIC interpretations effective in 2012 and 2013 that the Group has elected not to early adopt in 2011

Standards and amendments applicable in 2012(2)

- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets
- Amendments to IFRS 7 Financial Instruments Disclosures: Transfers of Financial Assets

Standards and amendments applicable in 2013(2)

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

- Amendment to IAS 28 Investments in Associates and Joint Ventures
- IFRS 13 Fair Value Measurement
- Amendments to IAS 19 Employee Benefits
- Amendments to IFRS 7 Disclosures Offsetting financial assets and financial liabilities

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

- (1) Basis of presentation available on the website of the European Commission, http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm
- (2) As these standards and interpretations have not yet been adopted by the European Union their exact terminology may change.

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1.2.4 Reminder of IFRS 1 transition options

The Group used some of the options available under IFRS 1 for its transition to IFRS in 2005. The options that continue to have an effect on the consolidated financial statements are:

 translation adjustments: the Group elected to reclassify cumulative translation adjustments within equity in the consolidated reserves at January 1, 2004; business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

1.3 Measurement basis for preparation of the consolidated financial statements

The Consolidated Financial Statements have been prepared using the historical cost convention, except for financial instruments that are

accounted for according to the financial instrument categories defined by IAS 39.

1.4 Use of judgment and estimates

As a result of the financial crisis, the Group has strengthened its risk management procedures and now includes an assessment of risk – in particular counterparty risk – in the measurement of its financial instruments. The severe market volatility caused by the crisis has

been taken into account by the Group in the estimates made such as for its business plans and in the various discount rates used in impairment testing and computing provisions.

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 reporting date, as well as 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 key estimates used by the Group in preparing the Consolidated Financial Statements relate mainly 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 Sections 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 (see Section 1.5.16),
- · margin at termination relating to construction contracts,
- 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.

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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 change 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.

1.4.2 Judgment

As well as relying on estimates, the 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 the related accounting issue.

This particularly applies in relation to the recognition of concession arrangements, the classification of agreements that contain a lease, and the recognition of acquisitions of non-controlling interests(3) prior to January 1, 2010.

1.4.1.7 Revenues

Revenues generated from customers whose consumption is metered during the accounting period are estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. The Group has developed measuring and modelling 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 Margin at termination relating to construction contracts

The determination of total expected revenue and costs at termination involves significant estimates related to technical solutions, duration of project and contractual issues.

Management reassesses those estimates for the preparation of consolidated financial statements on a quarterly basis or more frequently if required by significant new developments in the course of the projects. Any significant change in expected revenue or expected costs implies an immediate adjustment of the margin already recognized for the portion of the project already performed, and impacts future margin for works still to be performed.

1.4.1.9 Measurement of capitalized tax loss carryforwards

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 and, if necessary, on the basis of additional forecasts.

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 reporting date are classified as current, while all other items are classified as non-current.

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1.5 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 26 - List of the main consolidated companies at December 31, 2011 and 2010.

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 $(\mathbf{\in})$.

1.5.2.2 Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates. In most cases, the functional currency corresponds to the local currency. However, certain entities may have a different functional currency from the local currency when that other currency is used for an entity's main transactions and better reflects its economic environment.

1.5.2.3 Foreign currency transactions

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At each reporting date:

 Monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the income statement for the year to which they relate;

 Non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical cost applicable at the date of the transaction.

1.5.2.4 Translation of the financial statements of consolidated companies with a functional currency other than the euro

The statement of financial position is translated into euros at yearend 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.

Since January 1, 2010, 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 in the acquired company. Non-controlling interests are measured either at fair value or at proportionate interest in the net identifiable assets. The Group determines on a case-by-case basis which measurement option is to be used to recognize non controlling interests.

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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.

Business combinations carried out after January 1, 2010

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

- the consideration transferred,
- 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 amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the measurement period.

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

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

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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).

	Usefu	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 the 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 IAS 23 Revised, which consists in capitalizing 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

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:

	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 15.

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Main depreciation

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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" means 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 acquisition 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.

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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 asset concerned is revised.

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.

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 the 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 reporting date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under "Impairment".

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.

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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 consolidated income statement on a straight-line basis over the lease term.

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.

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 nonconsolidated 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.

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 financial 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.

The cost of inventories is determined based on the first-in, first-out method or the weighted average cost formula.

At each reporting 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 nonconsolidated companies, and guarantee deposits as well as trade and other receivables.

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On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each reporting 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 reporting date and changes in fair value are recorded in the consolidated 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 reporting date,
- financial liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting 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 reporting 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.

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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

- 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 highly 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 Other Comprehensive Income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in Other Comprehensive Income are transferred to the consolidated income statement when the investment is sold or liquidated.

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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 "Marked-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.

Derivative expiring in less than 12 months are recognized in the consolidated statement of financial position in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

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.

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 flows 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.

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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 termination is recognized as an expense immediately.

1.5.14 Share-based payments

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 (riskfree 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 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".

Partial payments received under construction contracts before

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. When 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:

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- 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 highquality 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 fixed or determinable 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.

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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

1.5.17 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 marked-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 (marked-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.

1.5.16.3 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).

- 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 includes:

- direct costs related to acquisitions of controlling interests;
- in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held interest at acquisition-date fair value;
- subsequent changes in the fair value of contingent consideration;
- gains or losses from disposals of interests which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests.
- 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 consolidated 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 the 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 reporting 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

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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 reporting 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

Earnings per share are calculated by dividing the adjusted net income Group share for the fiscal year attributable to ordinary shares by the weighted average number of shares outstanding during the fiscal year. The adjusted net income Group share takes into account the cost of the coupon attributable to holders of undated deeply subordinated notes

issued by SUEZ ENVIRONNEMENT COMPANY. 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 Acquisition of WSN Environmental Solutions (Australia)

On February 1, 2011, SUEZ ENVIRONNEMENT, through its 60% subsidiary Sita Environmental Solutions (Sita Australia), purchased WSN Environmental Solutions (WSN), a company active in waste management, from the government of New South Wales for AUD 234.4 million. This acquisition supplements Sita Australia's recycling and treatment capacity.

As of December 31, 2011, the accounting treatment of the business combination was final. The table below shows the fair value of identifiable assets acquired and liabilities assumed as of the transaction date.

	In millions of AUD	In millions of euros (at closing rate)
NON-CURRENT ASSETS		, ,
Intangible assets, net	166.4	130.8
Property, plant and equipment net	182.9	143.8
Deferred tax assets	13.7	10.8
CURRENT ASSETS		
Other assets	57.9	45.5
Cash and cash equivalents	12.8	10.1
NON-CURRENT LIABILITIES		
Other liabilities	(245.8)	(193.2)
CURRENT LIABILITIES		
Other liabilities	(3.7)	(2.9)
TOTAL NET ASSETS (100%)	184.2	144.8
Consideration transferred	234.4	184.2
GOODWILL	50.2	39.5

In milliona

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This goodwill of €39.5 million mainly represents market share plus synergies with the Group.

In this context, the landfill sites acquired plus the contracts with the State of New South Wales concerning operating rights for two other landfill sites have been measured at fair value using the discounted cash flow (DCF) method. Several loss-making waste treatment contracts, also valued via the discounted cash flow method, were recorded under provisions in the statement of financial position. Deferred tax positions have been adjusted in line with the allocation of fair values.

The impact of this acquisition on the Group's revenues as of the takeover date was €209.5 million. The additional depreciation linked to the various revaluations impacted 2011 net income Group share by -€8.5 million.

Had this transaction taken place on January 1, 2011, the additional impact on the Group's consolidated revenues would have been +€21.5 million

2.2 Sale of Bristol Water by Agbar

On October 5, 2011, SUEZ ENVIRONNEMENT sold 70% of the regulated activity of Bristol Water, a UK drinking-water distribution company, via its subsidiary Agbar. The transaction was concluded for a consideration of GBP 131.5 million (€152 million).

SUEZ ENVIRONNEMENT retains a 30% interest in the regulated activity, which will now be consolidated as an equity associate and retains a presence in the UK water market by pursuing its development in the non-regulated sector.

As this transaction was recognized according to IAS 27 (§34) principles, the capital gain net of costs on the portion sold was €57 million and the capital gain on remeasurement at fair value of the previously held residual portion was €31 million. The impact on net income Group share was €40 million.

The table below shows the net book value of the assets and liabilities sold as well as the fair value of the portion retained as of the transaction date

In millions of euros

NON-CURRENT ASSETS	
Intangible assets, net	29.7
Property, plant and equipment, net	379.7
Other assets	33.4
Deferred tax assets	7.0
CURRENT ASSETS	
Other assets	21.6
Cash and cash equivalents	91.8
NON-CURRENT LIABILITIES	
Deferred tax liabilities	(84.4)
CURRENT LIABILITIES	
Other liabilities	(17.4)
Financial debt	(343.4)
TOTAL NET ASSETS (100%)	118.0
SHARE OF NET ASSETS SOLD (70%)	82.6
Consideration received	151.7
REMEASURED PREVIOUSLY HELD RESIDUAL PORTION (30%)	65.0

2.3 Agreement to sell Eurawasser

On December 8, 2011, SUEZ ENVIRONNEMENT signed an agreement to sell the German subsidiary Eurawasser, a specialist in drinkingwater distribution and wastewater treatment, to the Remondis Group. The transaction, concluded for €95 million, should be finalized during the 2012 first guarter. Eurawasser operates water and wastewater concession contracts and maintenance contracts, and has interests in public-private corporations. The company provides services to over 800,000 people and earned 2011 revenues of €73 million.

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2.4 Reorganization of Group activities in China

As part of reorganization of the Group's activities in the water sector in China, Agbar sold its interest in Jiangsu Water to SFWD (Sino French Water Development), a subsidiary of SFH (Sino French

Holdings), a company 50% owned by the Group. Jiangsu Water is now consolidated by SFWD on a proportional basis at 50%.

2.5 Sale of Degrémont head office

On June 1, 2011, Degrémont sold its head office at Rueil-Malmaison (Hauts-de-Seine, France) for €40 million (excluding transfer fees and duties).

2.6 Melbourne contract

In July 2009, in partnership with Thiess (Leighton Group, a leading Australian civil-engineering company), Degrémont won a 30-year contract to build and operate a major seawater desalination plant in Australia with a capacity of 450,000 m³/day and representing €1.6 billion in revenue for the Group.

Construction work began in September 2009. However, site progress was constantly and significantly impacted by (i) major weather events and (ii) particularly acute union action (persistent social unrest and low productivity).

All the teams were mobilized to complete the site work as quickly as possible.

The impact of the above events on the contractual timeline should push back the projected dates for acceptance and commissioning by several months. Consequently, SUEZ ENVIRONNEMENT posted an expense that impacted current operating income by -€262 million and net income by -€237 million for 2011.

Degrémont and its partner Thiess estimate that the delay to the contractual timeline and the resulting financial consequences are only partially attributable to themselves, and they are determined to exert their rights to obtain an extension to the timeline as well as financial compensation. Claims have already been filed in this respect (see Note 24 – Legal and arbitration proceedings).

2.7 Combined bond redemption and exchange and new bond issue

On May 5, 2011, SUEZ ENVIRONNEMENT COMPANY launched a combined bond redemption and exchange operation on the 2014 tranche, issued in 2009 and bearing a fixed coupon of 4.875%. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity.

This operation was fully accomplished on May 17, 2011. As a result of the process, €338 million in 2014 bonds was redeemed and exchanged as part of the issue of a 10-year bond tranche for a total of €500 million, bearing a fixed coupon of 4.078%.

This tranche for a total of €500 million, bearing a fixed coupon of 4.078%, was further extended on September 14, 2011 with a new issue of €250 million.

In November 2011, SUEZ ENVIRONNEMENT COMPANY completed a seven-year private financing of €100 million bearing a coupon of 3.08%.

In December 2011, SUEZ ENVIRONNEMENT COMPANY also completed an inaugural issue in pounds sterling in the amount GBP 250 million, bearing a coupon of 5.375% maturing in November 2030.

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2.8 Scrip dividend

The option to pay a scrip dividend, ratified by the SUEZ ENVIRONNEMENT COMPANY shareholders' meeting on May 19, 2011, was taken up by 78.4% of shareholders, resulting in 19,008,731 shares being created, increasing capital by 3.9%. The issue price of these shares under the scrip dividend option was set at €13.03.

2.9 2011 SHARING PLAN

In September 2011, SUEZ ENVIRONNEMENT launched SHARING, its first share subscription offer reserved for 76,000 employees in 19 countries. The offer aims to develop employee shareholding within the Group. The operation was completed on December 8, 2011 with the creation of 9,896,038 new shares.

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.

As for the preceding years, 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 riskmanagement 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. EBITDA and industrial capital employed are reconciled with the consolidated financial statements.

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3.2 Key indicators by operating segment

Revenues

	December 31, 2011		Dece	ember 31, 201	0	
In millions of euros	Non-Group	Group	TOTAL	Non-Group	Group	TOTAL
Water Europe	4,205.7	25.8	4,231.5	4,123.9	11.7	4,135.6
Waste Europe	6,416.6	45.8	6,462.4	5,862.7	37.0	5,899.7
International	4,197.2	38.2	4,235.4	3,867.9	40.7	3,908.6
Other	10.1	77.7	87.8	14.8	60.4	75.2
Intercompany eliminations		(187.6)	(187.6)		(149.8)	(149.8)
TOTAL REVENUES	14,829.6	0.0	14,829.6	13,869.3	0.0	13,869.3

EBITDA

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Water Europe	1,212.5	1,037.7
Waste Europe	880.7	839.1
International	470.9	555.5
Other	(51.2)	(92.9)
TOTAL EBITDA	2,512.9	2,339.4

Current operating income

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Water Europe	608.3	490.1
Waste Europe	387.7	348.6
International	130.8	321.7
Other	(87.4)	(135.6)
TOTAL CURRENT OPERATING INCOME	1,039.4	1,024.8

Depreciation and amortization

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Water Europe	(378.0)	(342.9)
Waste Europe	(469.2)	(459.3)
International	(187.1)	(170.1)
Other	(4.3)	(2.8)
TOTAL DEPRECIATION AND AMORTIZATION	(1,038.6)	(975.1)

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Capital employed

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Water Europe	6,435.7	6,696.5
Waste Europe	4,439.7	4,267.6
International	3,498.2	3,206.5
Other	33.5	(26.8)
TOTAL CAPITAL EMPLOYED	14,407.1	14,143.8

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

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Water Europe	(613.8)	(1,109.8)
Waste Europe	(559.9)	(511.4)
International	(486.1)	(276.2)
Other	(10.0)	(36.7)
TOTAL INVESTMENTS	(1,669.8)	(1,934.1)

Financial investments included above exclude cash and cash equivalents acquired, but include the acquisitions of additional interests in controlled entities which are accounted for in cash flows used in financing activities in the statement of cash flows.

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

	Reve	nues	Capital E	imployed
In millions of euros	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
France	5,344.7	5,081.6	2,673.3	2,735.2
Europe	5,183.1	5,022.8	8,239.4	8,411.7
International	4,301.8	3,764.9	3,494.4	2,996.9
TOTAL	14,829.6	13,869.3	14,407.1	14,143.8

3.4 Reconciliation of EBITDA with current operating income

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Current Operating Income	1,039.4	1,024.8
(-) Depreciation, amortization and provisions	1,178.8	1,026.8
(-) Share-based payments (IFRS 2)	29.3	36.2
(-) Disbursements under concession contracts	265.4	251.6
EBITDA	2,512.9	2,339.4

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3.5 Reconciliation of capital employed with the statements of financial position

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
(+) Tangible and intangible assets, net	12,828.5	12,634.0
(+) Goodwill, net	3,245.3	3,128.0
(+) Available-for-sale securities (excluding marketable securities)	460.1	509.8
(+) Loans and receivables carried at amortized cost	859.1	806.2
(+) Investments in associates	498.2	443.3
(+) Trade and other receivables	4,118.0	3,871.8
(+) Inventories	331.0	273.1
(+) Other current and non-current assets	1,260.2	1,202.6
(-) Provisions and actuarial losses/gains on pension plans	(1,660.4)	(1,563.5)
(-) Trade and other payables	(2,752.5)	(2,878.6)
(-) Other current and non-current liabilities	(4,777.3)	(4,160.8)
(-) Other financial liabilities	(3.1)	(122.1)
CAPITAL EMPLOYED	14,407.1	14,143.8

NOTE 4 Current operating income

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Revenues	14,829.6	13,869.3
Purchases	(3,439.5)	(3,572.9)
Personnel costs	(3,663.3)	(3,290.8)
Depreciation, amortization and provisions	(1,178.8)	(1,026.8)
Other operating income and expenses	(5,508.6)	(4,954.0)
CURRENT OPERATING INCOME	1,039.4	1,024.8

4.1 Revenues

The following table shows Group revenues per category:

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Sale, transport and distribution of electricity	432.9	442.2
Water and waste	12,722.2	11,700.4
Engineering and construction contracts and other services	1,674.5	1,726.7
TOTAL	14,829.6	13,869.3

The main increase in "Water and waste" is organic (sorting and recycling activities in the Waste Europe sector), and is completed by

some positive scope effects linked mainly to the purchase of WSN Environmental Solutions by Sita Australia as described in Note 2.

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4.2 Personnel costs

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Short-term benefits	(3,566.7)	(3,164.1)
Share-based payments	(28.8)	(38.2)
Post-employment benefit obligations and other long-term benefits	(67.8)	(88.5)
TOTAL	(3,663.3)	(3,290.8)

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

Share-based payments are broken down in Note 21.

Post-employment benefit obligations and other long-term benefits are disclosed in Note 16 and this amount corresponds to definedbenefit plan expenses (see Section 16.3.3) and to defined-contribution plan expenses (see Section 16.4).

4.3 Depreciation, amortization and provisions

The amounts shown below are net of reversals.

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Depreciation and amortization	(1,038.5)	(975.1)
Depreciation of inventories and trade receivables	(42.1)	(58.2)
Net change in provisions	(98.2)	6.5
TOTAL	(1,178.8)	(1,026.8)

The depreciation breakdown is €744.9 million for property, plant and equipment and €293.6 million for intangible assets. The breakdown by type of asset is shown in Notes 10 and 11.

The provision expense in 2011 is mainly attributable to the expected loss on termination concerning the construction contract of the desalination plant in Melbourne.

4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Other operating income	249.0	67.1
Other operating expenses	(5,757.6)	(5,021.1)
Sub-contracting Sub-contracting	(1,809.8)	(1,681.6)
Taxes excluding corporate income tax	(601.4)	(518.1)
Other expenses	(3,346.4)	(2,821.4)
TOTAL	(5,508.6)	(4,954.0)

[&]quot;Other expenses" mainly include the following types of costs: rental expenses, external personnel, professional fees and compensation of intermediaries.

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NOTE 5 Income from operating activities

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
CURRENT OPERATING INCOME	1,039.4	1,024.8
Marked-to-market on operating financial instruments	(4.5)	1.0
Impairment on property, plant and equipment, intangible and financial assets	(69.0)	(85.2)
Restructuring costs	(39.9)	(82.8)
Scope effects	122.4	366.4
Other gains and losses on disposals and non-recurring items	43.4	(2.9)
INCOME FROM OPERATING ACTIVITIES	1,091.8	1,221.3

5.1 Marked-to-market on operating financial instruments

The marked-to-market on operating financial instruments amounted to €4.5 million as of December 31, 2011, 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, they 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, 2011	Dec. 31, 2010
IMPAIRMENTS:		
Goodwill	-	(8.0)
Property, plant and equipment and other intangible assets	(17.8)	(61.8)
Financial assets	(57.4)	(29.4)
TOTAL	(75.2)	(99.2)
WRITE-BACK OF IMPAIRMENTS:		
Property, plant and equipment and other intangible assets	3.6	2.3
Financial assets	2.6	11.7
TOTAL	6.2	14.0
TOTAL	(69.0)	(85.2)

5.2.1 Impairments of goodwill

No significant impairment of goodwill was recognized in 2011 and 2010, pursuant to the procedure described in Note 9 - Goodwill.

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5.2.2 Impairments of property, plant and equipment and intangible assets excluding goodwill

In 2011, impairment of property, plant and equipment and intangible assets mainly related to problems arising in one plant of the plastics recycling business (Waste Europe).

In 2010, this item mainly showed the consequences on asset values of problems encountered in the plastics and tire recycling business (Waste Europe) and those linked to underperformance of peripheral activities in the Water Europe segment.

5.2.3 Impairments of financial assets

In 2011, this item mainly reflected impairment of interest in the water business in Europe. Furthermore, as in 2010, it also included impairment of receivables relating to concession contracts outside France

5.3 Restructuring costs

In 2011, restructuring costs mainly related to decisions taken by Sita Australia as part of the takeover of WSN Environmental Solutions, as described in Note 2.

In 2010, this item mainly included costs relating to the restructuring plan implemented by Agbar in the amount of €39.2 million and additional costs for adapting structures in the Waste Europe segment.

5.4 Scope effects

In 2011, this item mainly included a €57 million capital gain from Agbar's sale of 70% of the regulated activities of Bristol Water, as well as a €31 million capital gain from remeasurement at fair-value of €65 million of the portion retained, pursuant to IAS 27 revised §34 (see Note 2 - Major transactions). The external costs connected with this transaction are included in this item.

In 2010 this item included:

• a €120 million gain on the remeasurement at fair-value of \in 149 million in interests previously owned by Lyonnaise des Eaux in the eight jointly-held companies the latter took control of due to the unwinding of investments in entities jointly held with Veolia Fau

• a €167 million gain on the remeasurement at fair-value of €1,374 million in interests previously owned in Agbar as a result of its takeover by SUEZ ENVIRONNEMENT.

This item also included €81 million corresponding to the capital gain from the sale of Société des Eaux de Marseille and Société des Eaux d'Arles shares by Lyonnaise des Eaux to Veolia-Eau as part of the unwinding transaction.

5.5 Other gains/losses on disposals and non-recurring items

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Disposals of property, plant and equipment and intangible assets	35.2	5.9
Disposals of shares	8.2	(8.8)
TOTAL	43.4	(2.9)

In 2011, this item mainly included the gain realized by Degrémont on the sale of its former head office at Rueil-Malmaison (Hauts-de-Seine) for €34 million, as described in Note 2 - Major 2011 transactions.

In 2010, this item showed only insignificant individual amounts.

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NOTE 6 Financial income/(loss)

	Dec. 31, 2011			Dec. 31, 2010		
In millions of euros	Expenses	Income	Total	Expenses	Income	Total
Cost of net debt	(445.8)	50.8	(395.0)	(402.5)	15.1	(387.4)
Other financial income and expenses	(111.1)	101.3	(9.8)	(105.7)	79.5	(26.2)
FINANCIAL INCOME/(LOSS)	(556.9)	152.1	(404.8)	(508.2)	94.6	(413.6)

6.1 Cost of net debt

This item primarily includes interest expenses related to gross borrowings (calculated using the effective interest rate - EIR), exchange rate differences arising from foreign currency borrowings, gains and losses arising from foreign currency and interest rate

hedging transactions on gross borrowings, as well as interest income on cash investments and changes in the fair value of financial assets calculated at fair value through income.

In millions of euros	Expenses	Income	Total Dec. 31, 2011	Total Dec. 31, 2010
Interest expense on gross borrowings	(404.4)	-	(404.4)	(394.9)
Exchange gain/(loss) on borrowings and hedges	(41.4)	-	(41.4)	(7.6)
Unrealized income/(expense) from economic hedges on borrowings	-	1.6	1.6	(2.1)
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	46.0	46.0	15.1
Capitalized borrowing costs	-	2.5	2.5	2.1
Financial income (expense) relating to a financial debt or receivable restructuring	-	0.7	0.7	0.0
COST OF NET DEBT	(445.8)	50.8	(395.0)	(387.4)

6.2 Other financial income and expenses

	_	
In millions of euros	Dec. 31, 2011	Dec. 31, 2010
OTHER FINANCIAL EXPENSES		
Unwinding of discounting adjustments to provisions	(87.0)	(79.2)
Interest expense on trade and other payables	(12.2)	(9.3)
Losses on currency exchange	(1.1)	1.6
Other financial expenses	(10.8)	(18.8)
TOTAL	(111.1)	(105.7)
OTHER FINANCIAL INCOME		
Expected return on plan assets	32.4	34.5
Income from available-for-sale securities	30.8	16.1
Interest income on trade and other receivables	15.7	9.6
Interest income on loans and receivables carried at amortized cost	10.7	10.0
Other financial income	11.7	9.3
TOTAL	101.3	79.5
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	(9.8)	(26.2)

In 2011, the change in this item is mainly due to the increase in dividends received from companies over which the Group has no significant influence and which are therefore not consolidated.

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NOTE 7 Income tax

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 €174.2 million (compared to €119.0 million in 2010), and breaks down as follows:

In millions of euros	2011	2010
Current income tax	(96.6)	(295.1)
Deferred taxes	(77.6)	176.1
TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME	(174.2)	(119.0)

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	2011	2010
NET INCOME	550.2	720.1
- Share in net income of associates	37.4	31.4
- Income tax expense	(174.2)	(119.0)
INCOME BEFORE INCOME TAX AND SHARE IN NET INCOME OF ASSOCIATES (A)	687.0	807.7
Of which French companies	128.1	87.5
Of which companies outside France	558.9	720.2
Statutory income tax rate in France (B) (1)	36.10%	34.43%
THEORETICAL INCOME TAX EXPENSE (C) = (A) X (B)	(248.0)	(278.1)
ACTUAL INCOME TAX EXPENSE:		
Difference between the normal tax rate applicable to SUEZ ENVIRONNEMENT COMPANY and the normal tax rate applicable in jurisdictions in France and outside France	73.9	61.5
Permanent differences	(10.3)	(15.6)
Income taxed at a reduced rate or tax-exempt (2)	5.8	131.5
Additional tax expense (3)	(23.4)	(32.2)
Effect of unrecognized deferred tax assets on tax-loss carryforwards and on other tax-deductible temporary differences (4)	(69.4)	(41.3)
Recognition or utilization of tax income on previously unrecognized tax loss carry-forwards and other tax-deductible temporary differences	20.6	10.3
Impact of changes in tax rates (1)	14.1	3.9
Tax savings and credits (5)	65.7	22.3
Other	(3.2)	18.7
Actual income tax expense	(174.2)	(119.0)
EFFECTIVE TAX RATE (ACTUAL INCOME TAX EXPENSE DIVIDED BY INCOME BEFORE INCOME TAX AND SHARE IN NET INCOME OF ASSOCIATES)	25.4%	14.7%

⁽¹⁾ In 2011, the overall rate of corporation income tax in France increased to 36.10% for companies with revenues in excess of €250 million. This was due to the impact of the exceptional 5% levy for fiscal years 2011 and 2012 on the tax consolidation group formed by SUEZ ENVIRONNEMENT COMPANY and most of its French subsidiaries.

⁽²⁾ For 2010, this mainly includes the impact of lower taxation of capital gains, fair value remeasurement of previously held interests in the Agbar takeover transaction and the tax-free unwinding of joint investments with Veolia-Eau.

⁽³⁾ This mainly includes the French taxation on dividends; it also includes the recognition of provisions for tax risks and tax contingencies (€5 million in 2011 and €13 million in 2010).

⁽⁴⁾ 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. In 2011, this relates mainly to the non-recognition of part of the deferred tax assets on Degrémont subsidiaries in Australia.

⁽⁵⁾ This mainly 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 risks (€53 million in 2011 and €6 million in 2010) and tax credits.

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The low effective tax rate as of December 31, 2011 is due primarily to:

- the taxation of income at a rate lower than the standard rate of 36.10% applicable to SUEZ ENVIRONNEMENT COMPANY, mainly outside France;
- the reversal of provisions for tax risks in Spain in the amount of €45 million, the risks having now been lifted.

These factors are partly offset by:

 the only-partial recognition of deferred tax assets generated by loss carry-forwards within the Australian tax consolidation group; impairments of assets and non-deductible provisions in the Water Europe sector and in Central Europe.

Excluding all these elements from the calculation, the effective tax rate would have been 32% as of December 31, 2011.

The low effective tax rate as of December 31, 2010 was primarily due to the impact of the lower taxation of capital gains generated by the takeover of Agbar and the tax-free unwinding of the joint investments with Veolia-Eau. Excluding these elements from the calculation, the effective tax rate as of December 31, 2010 would have been 29%.

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

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
DEFERRED TAX ASSETS		
Loss carry-forwards	49.8	72.3
Pension obligations	(8.5)	5.4
Concessions arrangements	2.8	1.1
Non-deductible provisions	(14.1)	9.3
Differences between the carrying amount of PPE and their tax bases	4.3	(6.9)
Measurement of financial instruments at fair value (IAS 32/39)	(11.8)	(25.7)
Other	(67.1)	51.5
TOTAL	(44.6)	107.0
DEFERRED TAX LIABILITIES		
Differences between the carrying amount of PPE and their tax bases	(21.3)	(10.4)
Concessions arrangements	(2.9)	1.8
Tax-driven provisions	0.6	0.9
Measurement of assets and liabilities at fair value (IAS 32/39)	(2.2)	1.6
Other	(7.2)	75.2
TOTAL	(33.0)	69.1
NET DEFERRED TAX	(77.6)	176.1

In 2011, the amounts shown on the "Loss carry-forwards" line mainly relate to the recognition of loss carry-forwards at Infilco Degrémont Inc., a U.S. subsidiary of Degrémont, as part of the rationalization of the Group's organizational structure in the United States, as well as the recognition and activation of loss carry-forwards within the Australian tax consolidation group.

The amount shown as "Other" deferred tax assets mainly relates to the use by Agbar of deferred tax assets for tax credit purposes on investments abroad. The amounts shown in the income statement as "Other" deferred tax items in 2010 mainly relate to the various impacts of the sale of Adeslas as part of the Agbar takeover.

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7.2 Deferred tax income and expense recognized in "other comprehensive income"

 $Deferred\ tax\ income\ and\ expense\ recognized\ in\ "Other\ comprehensive\ income"\ break\ down\ as\ follows:$

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Available-for-sale securities	0.7	(0.1)
Actuarial gains and losses	27.8	4.8
Net investment hedges	15.2	14.1
Cash flow hedges	-	(4.2)
TOTAL EXCLUDING SHARE OF ASSOCIATES	43.7	14.6
Share of associates	12.0	6.6
TOTAL	55.7	21.2

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, 2010	782.1	(696.2)	85.9
From income statement	16.1	(93.7)	(77.6)
From other comprehensive income	46.4	9.2	55.6
Scope effects	58.3	45.0	103.3
Translation adjustments	8.3	(16.2)	(7.9)
Other impacts	5.4	(7.3)	(1.9)
Deferred tax netting off by tax entity	(175.3)	175.3	-
AT DECEMBER 31, 2011	741.3	(583.9)	157.4

In 2011, the "Scope effects" line includes the impact of the takeover of WSN Environmental Solutions by Sita Australia, and the finalization of its opening balances, as well as the effect of the sale by Agbar of 70% of the regulated activities of Bristol Water in the United Kingdom.

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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, 2011	Dec. 31, 2010
DEFERRED TAX ASSETS		
Loss carry-forwards	335.4	263.7
Pension obligations	200.1	179.0
Concessions arrangements	111.4	108.4
Non-deductible provisions	215.0	179.5
Differences between the carrying amount of PPE and their tax bases	124.0	105.8
Measurement of financial instruments at fair value (IAS 32/39)	22.5	21.7
Other	160.7	239.7
Total	1,169.1	1,097.8
Deferred tax liabilities		
Differences between the carrying amount of PPE and their tax bases	(861.3)	(871.7)
Concessions arrangements	(16.4)	(13.5)
Tax-driven provisions	(16.7)	(17.5)
Measurement of assets and liabilities at fair value (IAS 32/39)	(3.7)	(2.6)
Other	(113.6)	(106.6)
TOTAL	(1,011.7)	(1,011.9)
NET DEFERRED TAX	157.4	85.9

The deferred tax assets recognized on loss carry-forwards amounted to €335 million as of December 31, 2011 (versus €264 million as of December 31, 2010). For both years, this amount includes the deferred tax on all loss carry-forwards arising within the SUEZ ENVIRONNEMENT COMPANY French tax consolidation group.

With identical tax measures applying as of December 31, 2010 and 2011, the French tax consolidation group would use up most of its deferred tax assets on losses carried forward over the medium-term plan horizon (2012-2017), which was approved by Management. Despite the new arrangements brought into law in 2011 (use of previous years' losses capped at 60% of the current year's tax profit),

management considers that the French tax consolidation group will be able to use up all of its deferred tax assets on loss carry-forwards, over the medium-term plan (roughly 40% of them) or beyond.

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 the time when the subsidiaries were part of the SUEZ tax Group.

7.4 Unrecognized deferred tax

7.4.1 Deductible temporary differences not recognized

Temporary differences on losses carried forward

As of December 31, 2011, unused tax losses carried forward and not recognized in the statement of financial position (because they did not meet the criteria for recognition as a deferred tax asset) amounted to €172.8 million for ordinary tax loss carry-forwards, versus €152.7 million as of December 31, 2010.

Other temporary differences not recognized

The amount of deferred tax assets on other unrecognized temporary differences amounted to €76.6 million as of December 31, 2011, versus €82.3 million as of December 31, 2010.

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

No deferred tax liability has 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.

NOTE 8 Earnings per share

	Dec. 31, 2011	Dec. 31, 2010 pro-forma ^(b)	Dec. 31, 2010 published
Numerator (in millions of euros)			
Net income, Group share	322.8	564.7	564.7
- coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in september 2010	(23.7)	(6.5)	(6.5)
ADJUSTED NET INCOME, GROUP SHARE	299.1	558.2	558.2
Denominator (in millions)			
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	489.1	487.1	487.1
- dividends paid in shares at June 27th 2011	9.8	2.0	
Adjusted weighted average number of shares outstanding ^(a)	498.9	489.1	
Earnings per share (in euros)			
NET INCOME GROUP SHARE PER SHARE	0.60	1.14	1.15
NET DILUTED INCOME GROUP SHARE PER SHARE	0.60	1.14	1.15

⁽a) The average number of shares outstanding in 2011 and 2010 take into account, on a prorata temporis basis, the impact of the scrip dividend payment on June 27, 2011.

The employee bonus share allocation plans, as well as the stock option plans reserved for employees, had no significant impact as of December 31, 2011 or 2010.

⁽b) In accordance with IAS 33, the weighted average number of shares outstanding for the period and for all periods presented have been adjusted to take into account events that changed the number of ordinary shares with no corresponding change in resources.

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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, 2009	3,261.6	(192.1)	3,069.5
Scope effects	(170.0)	115.5	
Impairment losses	-	(8.0)	
Translation adjustments	130.9	(15.9)	
Other	6.2	(0.2)	
At December 31, 2010	3,228.7	(100.7)	3,128.0
Scope effects	81.8	-	
Impairment losses	-	-	
Translation adjustments	40.2	(1.5)	
Other	(3.2)	-	
At December 31, 2011	3,347.5	(102.2)	3,245.3

In 2011, the net change in goodwill was \in 117.3 million. This arises mainly from:

- the recognition of new goodwill generated by the takeover of entities in the international segment (WSN Environmental Solutions in Australia, as described in Note 2) and the full consolidation of previously non-consolidated entities in the Water Europe segment;
- the impact of the measurement at fair value, on the transaction date, of the identifiable assets and liabilities involved in these transactions.

In the end, this change mainly breaks down as follows:

- Sita Australia: +€39.5 million;
- entities in the Water Europe segment: +€26.5 million;
- translation adjustments: +€38.7 million.

Translation gains and losses relate mainly to exchange rate fluctuations of the Australian dollar, U.S. dollar, and pound sterling.

In 2010, the net change in goodwill was +€58.6 million. This arose mainly from the recognition of new goodwill generated by the

takeover of Agbar, the unwinding of joint investments at Lyonnaise des Eaux and various acquisitions at Sita France, as well as the impact of remeasurement at fair value, at the acquisition date, of identifiable assets acquired and liabilities assumed related to these various transactions as well as the finalization of these operations at Sita Waste Services, of which SUEZ ENVIRONNEMENT took control in 2009

This change essentially broke down as follows:

- Agbar: -€237.8 million;
- Lyonnaise des Eaux France: +€203 million;
- Sita Waste Services: -€31.9 million;
- Sita France: +€13.6 million.

The remainder of the change 2010 was mainly due to other non-significant changes in scope and to translation adjustments (for the most part linked to the Australian, US and Hong Kong dollars and the pound sterling).

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9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

In millions of euros	Operating segment	Dec. 31, 2011	Dec. 31, 2010
Material CGUs	'		
Sita France	Waste Europe	529.3	528.8
Sita News	Waste Europe	515.4	514.5
United Water	International	410.0	397.1
Agbar	Water Europe	391.1	393.5
Sita UK	Waste Europe	372.3	361.3
Lyonnaise des Eaux	Water Europe	304.5	278.2
Sita Australia	International	185.0	139.6
Sita Waste Services	International	182.6	176.7
Other CGUs (individual goodwill of less than			
€150 million or 5% of total amount)		355.1	338.3
TOTAL		3,245.3	3,128.0

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 events occurring in the second half of the year) and on the medium-term business plan.

The recoverable value of goodwill CGUs is calculated by applying various methods, primarily the discounted cash flow (DCF) method, which is based on the following:

- · cash flow projections prepared over the duration of the mediumterm 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 pricing regulations and future market outlooks;
- · a terminal value for the period after the MTP, calculated by applying the long-term growth rate, which is between 2% and 2.8% depending on the activity, to normalized free cash flow⁽¹⁾ (used specifically in impairment tests) in the final year of the projections;

· a discount rate appropriate for the CGU as a function of the business unit, country and currency risks of each CGU. The aftertax discount rates applied in 2011 range from 5.1% to 7.0%. In 2010, discount rates applied ranged from 5.1% to 11.6%.

When this method is used, measurement of the recoverable value of goodwill CGUs 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 obtained in this way are systematically compared with valuations obtained using the market multiples method or the stock exchange capitalization method, where applicable.

Based on events reasonably foreseeable at the present time, the Group believes that 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.

⁽¹⁾ The "normalized" Free Cash Flow used in impairment tests is different from Free Cash Flow in the following aspects: it excludes financial interest, uses a standard tax rate, and incorporates all investment flows (financial maintenance and disposals, financial development and acquisitions already committed).

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Main assumptions used for material goodwill

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

Cash-generating units Measurement method		Discount rates
Sita France	DCF + confirmation by multiple (*)	5.61%
Sita News	DCF + confirmation by multiple (*)	5.81%
United Water – regulated activity	multiples (*) + DCF	5.08%
Agbar	DCF + confirmation by multiple (*)	5.90%
Sita UK	DCF + confirmation by multiple (*)	5.84%
Lyonnaise des Eaux	DCF + confirmation by multiple (*)	5.20%
Sita Waste Services	DCF + confirmation by multiple (*)	6.84%
Sita Australie	DCF + confirmation by multiple (*)	7.05%

^(*) Valuation multiples of comparable entities: market value of transactions

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

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

Impact in % on excess of recoverable value	Discou	nt rates	Growth rate of "normalized" Free Cash Flow		
over book value	-50 bp	+50 bp	-50 bp	+50 bp	
Sita France	32%	-24%	-20%	27%	
Sita News	33%	-26%	-21%	28%	
United Water – regulated activity	148%	-94%	-86%	134%	
Agbar	63%	-49%	-40%	52%	
Sita UK	54%	-42%	-34%	45%	
Lyonnaise des Eaux	29%	-21%	-18%	24%	
Sita Waste Services	47%	-38%	-30%	37%	
Sita Australie	19%	-15%	-12%	15%	

9.4 Segment information

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

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Water Europe	726.7	702.7
Waste Europe	1,513.6	1,500.6
International	1,005.0	924.7
Other	-	-
Total	3,245.3	3,128.0

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

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NOTE 10 Intangible assets

10.1 Movements in the carrying amount of intangible assets

	ı	ntangible rights arising on concession		
In millions of euros	Softwares	contracts	Other	Total
A. Gross amount				
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 ^(a)	2.2	58.6
Changes in scope of consolidation	(61.7) ^(b)	377.4 ^(b)	610.1 ^(b)	925.8
Other	0.7	28.9	(36.6)	(7.0)
at December 31, 2010	320.9	3,955.3	1,410.6	5,686.8
Acquisitions	55.1	257.4	55.4	367.9
Disposals	(10.4)	(29.0)	(9.7)	(49.1)
Translation adjustments	(2.1)	74.0	(4.1)	67.8
Changes in scope of consolidation	(1.5) ^(c)	28.3 ^(c)	79.7 ^(c)	106.5
Other	9.8	29.8	(8.1)	31.5
at December 31, 2011	371.8	4,315.8	1,523.8	6,211.4
B. Accumulated depreciation and impairment				
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)	(12.9)	(36.7)
Disposals	3.6	12.1	1.4	17.1
Translation adjustments	(0.7)	(15.5) ^(a)	(1.8)	(18.0)
Changes in scope of consolidation	66.6 ^(b)	400.4 ^(b)	(41.2) ^(b)	425.8
Other	2.5	9.7	20.3	32.5
at December 31, 2010	(227.5)	(1,291.4)	(389.1)	(1,908.0)
Depreciation	(34.1)	(204.6)	(54.9)	(293.6)
Impairment losses	(4.5)	0.2	(1.1)	(5.4)
Disposals	9.1	29.1	9.4	47.6
Translation adjustments	1.5	(9.5)	(0.2)	(8.2)
Changes in scope of consolidation	(0.1) ^(c)	5.2 ^(c)	(0.7) ^(c)	4.4
Other	(4.3)	(14.7)	16.7	(2.3)
at December 31, 2011	(259.9)	(1,485.7)	(419.9)	(2,165.5)
C. Carrying amount				
at December 31, 2009	81.0	1,642.5	512.3	2,235.8
at December 31, 2010	93.4	2,663.9	1,021.5	3,778.8
at December 31, 2011	111.9	2,830.1	1,103.9	4,045.9

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

⁽b) Changes in the scope of consolidation in 2010 were due to:

^{1.} the change in the consolidation method for the Agbar Group from proportionate to full consolidation since the takeover in June 2010;

^{2.} 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 unwinding of the joint investments with Veolia-Eau in the water management sector and of Sita Waste Services.

⁽c) Changes in the scope of consolidation in 2011 were due to:

Agbar's loss of control of Bristol Water's regulated activity in the United Kingdom, as explained in Note 2 – Major transactions, resulting in this activity being consolidated under the equity method.

^{2.} Finalization of the opening statements of financial position of WSN Environmental Solutions on February 1, 2011, and in particular measurement at fair value of the permits and residual capacities of the landfill sites owned by WSN.

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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 20) 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

Non-depreciable assets amounted to €233 million as of December 31, 2011 versus €221 million as of December 31, 2010, and were included in "Other."

No significant impairment was posted in this asset category in 2011.

10.2 Information on research and development expenses

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

Research and Development activities that do not meet the assessment criteria defined in IAS 38 were posted to expenses in the amount of €74 million, versus €73 million in 2010.

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

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NOTE 11 Property, plant and equipment

11.1 Movements in the carrying amount of property, plant and equipment

					Capitalized dismantling and			Total property,
In millions of euros	Land	Constructions	Plant and equipment	Transport equipment	restoration costs	Construction in progress	Other	plant and equipment
A. Gross amount								
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)	-	-	(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	793.1	(498.3)	(21.9)	1.3	13.1	(108.5)	449.9
Other	24.7	8.4	78.3	24.8	14.2	(269.9)	10.1	(109.4)
at December 31, 2010	1,767.6	3,197.8	6,720.3	1,438.2	522.3	825.0	370.9	14,842.1
Acquisitions	38.0	56.2	301.9	89.7	1.5	498.2	37.8	1,023.3
Disposals	(24.6)	(50.0)	(139.5)	(66.7)	-	-	(22.7)	(303.5)
Translation adjustments	(8.2)	(64.7)	(89.1)	3.0	3.8	(10.0)	3.2	(162.0)
Changes in scope of consolidation	84.4	(38.3)	(237.2)	2.9	-	(14.9)	0.5	(202.6)
Other	42.8	43.7	349.3	35.4	2.5	(539.9)	17.2	(49.0)
at December 31, 2011	1,900.0	3,144.7	6,905.7	1,502.5	530.1	758.4	406.9	15,148.3
B. Accumulated deprecia	ition and i	mnairment						
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)		(33.9)	(761.6)
Impairment losses	(7.7)	(4.2)	(11.7)	-	-	(1.9)	0.2	(25.3)
Disposals	30.1	20.6	94.7	68.5	0.6	-	20.5	235.0
Translation adjustments	(29.1)	(13.3)	(70.2)	(20.0)	(11.6)	_	(6.0)	(150.2)
Changes in scope of consolidation	0.2	112.4	1,158.5	22.6	(1.3)	-	94.0	1,386.4
Other	11.1	7.4	24.3	5.3	(14.2)	0.2	3.8	37.9
at December 31, 2010	(716.5)	(965.1)	(2,600.8)	(947.8)	(518.3)	(4.0)	(234.4)	(5,986.9)
Depreciation	(67.8)	(130.9)	(370.1)	(113.7)	(1.7)	-	(60.7)	(744.9)
Impairment losses	(0.4)	(2.4)	(9.7)	-	-	-	-	(12.5)
Disposals	22.2	42.4	128.1	64.8	-	-	21.5	279.0
Translation adjustments	(14.1)	3.3	76.1	(0.9)	(3.8)	0.3	(0.2)	60.7
Changes in scope of consolidation	(0.8)	1.0	-	(0.3)	-	-	0.1	-
Other	3.0	1.9	0.5	4.5	(2.5)	(0.1)	31.6	38.9
at December 31, 2011	(774.4)	(1,049.8)	(2,775.9)	(993.4)	(526.3)	(3.8)	(242.1)	(6,365.7)
C. Carrying amount								
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	2,232.7	4,119.5	490.4	4.0	821.0	136.5	8,855.2
at December 31, 2011	1,125.6	2,094.9	4,129.8	509.1	3.8	754.6	164.8	8,782.6

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In 2011, changes in the scope of consolidation had a net negative impact on property, plant and equipment of - \in 202.6 million. As explained in Note 2 – Major transactions, this mainly reflected the takeover of WSN Environmental Solutions (+ \in 143.8 million) by Sita Australia and the sale of 70% of the regulated activity of Bristol Water (- \in 379.7 million) by Agbar.

In 2010, changes in the scope of consolidation had a net impact on property, plant and equipment totaling €1,836.3 million. This mainly

reflected the takeover of the Agbar Group ($+ \le 1,737.8$ million), various entries into the scope of consolidation at Sita France ($+ \le 64.4$ million) and the unwinding of joint investments previously held by Lyonnaise des Eaux and Veolia Eau ($+ \le 21.4$ million).

Translation adjustments on the net value of property, plant and equipment as of December 31, 2011 mainly impacted the Chilean peso (-€179.6 million) and the US dollar (+€55.4 million).

11.2 Pledged and mortgaged assets

Pledges of property, plant and equipment to cover financial debt amounted to €123.7 million as of December 31, 2011 versus €655.3 million as of December 31, 2010. This reduction mainly reflects the

May 23, 2011 cancellation of a pledge (-€506.7 million) on the assets of United Water New Jersey.

11.3 Contractual investment commitments

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

The Group's contractual commitments to invest in property, plant and equipment amounted to ${\in}601.5$ million as of December 31, 2011

versus €770.3 million as of December 31, 2010. This reduction was mainly due to the €103.7 million reduction in PPE investment commitments at Sita Netherlands following the end of works at the Baviro plant.

NOTE 12 Financial instruments

12.1 Financial assets

The following table shows the various financial asset categories and their breakdown as "non-current" and "current":

	December 31, 2011			December 31, 2010			
In millions of euros	Non-current	Current	Total	Non-current	Current	Total	
Available-for-sale securities	410.9	-	410.9	517.7	-	517.7	
Loans and receivables carried at amortized cost	662.3	4,314.8	4,977.1	611.9	4,066.1	4,678.0	
Loans and receivables carried at amortized cost (excluding trade and other receivables)	662.3	196.8	859.1	611.9	194.3	806.2	
Trade and other receivables	-	4,118.0	4,118.0	-	3,871.8	3,871.8	
Financial assets measured at fair value through income	193.5	49.1	242.6	171.2	273.9	445.1	
Derivative financial instruments	193.5	34.4	227.9	171.2	9.2	180.4	
Financial assets at fair value through income excluding derivatives	-	14.7	14.7	-	264.7	264.7	
Cash and cash equivalents	-	2,493.5	2,493.5	-	1,826.5	1,826.5	
TOTAL	1,266.7	6,857.4	8,124.1	1,300.8	6,166.5	7,467.3	

The change in Cash and cash equivalents and Financial assets measured at fair value through income excluding derivatives since December 31, 2010 is partly due to the 2011 investment policy which favored interest-bearing accounts over investments in mutual funds and partly to various payments (debt service, dividends etc.).

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12.1.1 Available-for-sale securities

At December 31, 2010	517.7
Acquisitions	22.0
Net book value of disposals	(12.5)
Changes in fair value posted to equity as other comprehensive income	(57.1) ^(c)
Changes in fair value posted to income statement	(36.6) ^(a)
Changes in scope, exchange rates and other	(22.6) ^(b)
At December 31, 2011	410.9

⁽a) See Note 12.1.1.2.

Available-for-sale securities held by the Group totaled €410.9 million as of December 31, 2011, consisting of €147.2 million in listed securities and €263.7 million in unlisted securities (versus €191.1 million and €326.6 million respectively in 2010).

Acquisitions over the period relate mainly to purchases of stock in Bayle, Haustete, Horsol and Cogepa by Sita France amounting to €8 million.

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

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

	Dividends	Remeasurement			Income/(loss) on disposals
In millions of euros		Change in fair value	Impact of exchange rates	Impairment	
Shareholders' equity (*)		(57.1)	-		
Income statement	30.8	-		(36.6)	8.1
TOTAL AT DECEMBER 31, 2011	30.8	(57.1)	-	(36.6)	8.1
Shareholders' equity (*)		6.6	-		
Income statement	16.1	-		(4.3)	(2.0)
TOTAL AT DECEMBER 31, 2010	16.1	6.6	-	(4.3)	(2.0)

^(*) Excluding tax impact.

12.1.1.2 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.

Among the factors taken into consideration for listed securities, the Group believes that a decline in the trading price of over 50% from historic cost or a decline in the trading price below historic cost for over 12 months are objective indications of depreciation.

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

⁽b) The impact of changes in scope mainly reflects the entry into consolidation of the Lyonnaise des Eaux France subsidiaries acquired in 2010.

⁽c) As a result of the drop in Acea's share price in 2011 from its December 31, 2010 level, the Group revaluated its Acea holdings in shareholder's equity as other comprehensive income by €51.8 million as of December 31, 2011. The criteria in Note 12.1.1.2 did not justify posting an impairment through income statement.

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12.1.2 Loans and receivables carried at amortized cost

	December 31, 2011		December 31, 2010			
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	662.3	196.8	859.1	611.9	194.3	806.2
Loans granted to affiliated companies	182.1	104.3	286.4	264.4	33.4	297.8
Other receivables at amortized cost	70.0	12.1	82.1	36.4	21.6	58.0
Concession receivables	407.1	76.3	483.4	303.9	135.9	439.8
Finance lease receivables	3.1	4.1	7.2	7.2	3.4	10.6
Trade and other receivables	-	4,118.0	4,118.0	-	3,871.8	3,871.8
TOTAL	662.3	4,314.8	4,977.1	611.9	4,066.1	4,678.0

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

	December 31, 2011 December 31, 2010 Depreciation & Depreciation &					
In millions of euros	Gross	Impairment	Net	Gross	Impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	979.4	(120.3)	859.1	924.6	(118.4)	806.2
Trade and other receivables	4,351.2	(233.2)	4,118.0	4,075.9	(204.1)	3,871.8
TOTAL	5,330.6	(353.5)	4,977.1	5,000.5	(322.5)	4,678.0

Information on the maturity of receivables that are past due but not impaired and on the monitoring of counterparty risk on loans and receivables at amortized cost (including trade and other receivables) is presented in Section 13.2 – Counterparty risk.

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

	Interest	Remeasurement post acquisition	
In millions of euros		Translation adjusment	Impairment
At December 31, 2010	48.8	1.6	(70.3)
At December 31, 2011	63.3	(1.1)	(43.1)

LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (EXCLUDING TRADE 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 €245.6 million as of December 31, 2011, versus €280.5 million as of December 31, 2010.

The fair value of loans granted to affiliated companies amounted to €323.4 million as of December 31, 2011, versus €369.4 million in 2010. The net carrying amount of these loans was €286.4 million as of December 31, 2011, versus €297.8 million in 2010.

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.

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12.1.3 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, 2011		Dece			
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
DERIVATIVE FINANCIAL INSTRUMENTS	193.5	34.4	227.9	171.2	9.2	180.4
Derivatives hedging borrowings	191.3	0.1	191.4	135.0	0.0	135.0
Derivatives hedging commodities	0.0	4.0	4.0	0.0	3.4	3.4
Derivatives hedging other items	2.2	30.3	32.5	36.2	5.8	42.0
FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES	0.0	14.7	14.7	0.0	264.7	264.7
Financial assets qualifying for fair value through income	0.0	14.7	14.7	0.0	264.7	264.7
TOTAL	193.5	49.1	242.5	171.2	273.9	445.1

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 13.

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 12.3).

As part of its policy to boost its cash position, SUEZ ENVIRONNEMENT COMPANY issued €4.3 billion in bonds since 2009, including €1,149 million in bonds issued in 2011. A portion of the funds were invested in deposit certificates and term deposits.

Income recognized on all financial assets measured at fair value through income as of December 31, 2011 was €0.6 million.

12.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in Note 13.

"Cash and cash equivalents" amounted to €2,493.5 million as of December 31, 2011, versus €1,826.5 million as of December 31, 2010.

This item mainly includes term deposits of less than three months in the amount of €1,274 million, versus €889.8 million as of December 31, 2010, and cash equivalent assets in the amount of €1,212 million versus €884 million as of December 31, 2010.

In addition, restricted cash amounted to €7.6 million as of December 31, 2011, versus €52.7 million as of December 31, 2010, related mainly to guarantees on the issuance of bank letters of credit.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2011 amounted to €45.4 million, versus €10.8 million as of December 31, 2010.

12.1.5 Pledged and mortgaged assets

In millions of euros	December 31, 2011	December 31, 2010
Pledged and mortgaged assets	13.8	22.1

12.2 Financial liabilities

Financial liabilities are posted either:

- in "Liabilities at amortized cost" for borrowings and debt, trade and other payables, and other financial liabilities.
- · or in "Liabilities measured at fair value through income" for derivative financial instruments.

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The following table shows the various financial liability categories as of December 31, 2011, as well as their breakdown as "non-current" and "current":

	De	December 31, 2011			December 31, 2010		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total	
Borrowings	8,035.6	2,035.2	10,070.8	8,333.9	1,306.2	9,640.1	
Derivative financial instruments	156.4	32.8	189.2	108.6	40.6	149.2	
Trade and other payables	-	2,752.5	2,752.5	-	2,878.7	2,878.7	
Other financial liabilities	3.1	-	3.1	122.1	-	122.1	
TOTAL	8,195.1	4,820.5	13,015.6	8,564.6	4,225.5	12,790.1	

12.2.1 Borrowings and debts

	Dece	ember 31, 2011		Dece	ember 31, 2010	ı
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	5,640.0	100.2	5,740.2	4,878.8	45.2	4,924.0
Draw downs on credit facilities	594.3	395.4	989.7	803.2	268.8	1,072.0
Borrowings under finance leases	451.3	55.3	506.6	511.4	63.3	574.7
Other bank borrowings	976.8	450.7	1,427.5	1,608.7	135.6	1,744.3
Other borrowings	292.0	314.5	606.5	511.6	41.7	553.3
BORROWINGS	7,954.4	1,316.1	9,270.5	8,313.7	554.6	8,868.3
Overdrafts and current cash accounts	-	626.5	626.5	-	647.5	647.5
OUTSTANDING FINANCIAL DEBT	7,954.4	1,942.6	9,897.0	8,313.7	1,202.1	9,515.8
Impact of measurement at amortized cost	(12.8)	92.6	79.8	(26.3)	104.1	77.8
Impact of fair value hedge	94.0	-	94.0	46.5	-	46.5
BORROWINGS AND DEBT	8,035.6	2,035.2	10,070.8	8,333.9	1,306.2	9,640.1

The fair value of gross financial debt as of December 31, 2011 was €10,343.7 million, for a net book value of €10,070.8 million.

Gains and losses on borrowings and debt recognized in the income statement mainly comprise interest and are detailed in Note 6 – Financial income. Borrowings are analyzed in section 12.3 – Net debt.

12.2.2 Derivative financial instruments (including commodities)

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

	December 31, 2011			December 31, 2010		
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Derivatives hedging borrowings	154.4	31.7	186.1	73.1	38.6	111.7
Derivatives hedging commodities	-	-	-	-	0.5	0.5
Derivatives hedging other items	2.0	1.1	3.1	35.5	1.5	37.0
TOTAL	156.4	32.8	189.2	108.6	40.6	149.2

These instruments are set up according to the Group's risk management policy and are analyzed in Note 13 – Risks arising from financial instruments.

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12.2.3 Trade and other payables

In millions of euros	December 31, 2011	December 31, 2010
Trade payables	2,435.5	2,548.5
Payables on fixed assets	317.0	330.2
TOTAL	2,752.5	2,878.7

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

12.2.4 Other financial liabilities

Other financial liabilities are analyzed as follows:

In millions of euros	December 31, 2011	December 31, 2010
Liabilities on share purchases	3.1	122.1
TOTAL	3.1	122.1

12.3 Net debt

	Dec	ember 31, 201		Dec	0	
In millions of euros	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	7,954.4	1,942.6	9,897.0	8,313.7	1,202.1	9,515.8
Impact of measurement at amortized cost	(12.8)	92.6	79.8	(26.3)	104.1	77.8
Impact of fair value hedge ^(a)	94.0	-	94.0	46.5	-	46.5
BORROWINGS AND DEBT	8,035.6	2,035.2	10,070.8	8,333.9	1,306.2	9,640.1
Derivative hedging borrowings under liabilities ^(b) see Note 12.2.2	154.4	31.7	186.1	73.1	38.6	111.7
GROSS DEBT	8,190.0	2,066.9	10,256.9	8,407.0	1,344.8	9,751.8
Financial assets at fair value through income see Note 12.1.3	-	(14.7)	(14.7)	-	(264.7)	(264.7)
Cash and cash equivalents	-	(2,493.5)	(2,493.5)	-	(1,826.5)	(1,826.5)
Derivative hedging borrowings under assets ^(b) see Note 12.1.3	(191.3)	(0.1)	(191.4)	(135.0)	-	(135.0)
NET CASH	(191.3)	(2,508.3)	(2,699.6)	(135.0)	(2,091.2)	(2,226.2)
NET DEBT	7,998.7	(441.4)	7,557.3	8,272.0	(746.4)	7,525.6
Outstanding borrowings	7,954.4	1,942.6	9,897.0	8,313.7	1,202.1	9,515.8
Financial assets measured at fair value through income	-	(14.7)	(14.7)	-	(264.7)	(264.7)
Cash and cash equivalents	-	(2,493.5)	(2,493.5)	-	(1,826.5)	(1,826.5)
NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS	7,954.4	(565.6)	7,388.8	8,313.7	(889.1)	7,424.6

⁽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 regardless of whether or not they are designated as hedges. It also includes instruments designated as net investment hedges.

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12.3.1 Change in net debt

Net debt increased by €31.6 million during 2011, primarily for the following reasons:

- the dividend payment made to SUEZ ENVIRONNEMENT COMPANY shareholders (increase of €68.8 million);
- dividend payments to non-controlling shareholders of subsidiaries (increase of €172.7 million);
- asset acquisitions and disposals: the acquisition of WSN Environmental Solutions by Sita Australia generated an increase of AUD 187.4 million (€147.3 million at the December 31, 2011 exchange rate), and the sale of 70% of Bristol Water's regulated activity entailed a €385.8 million reduction in net debt in the statement of consolidated financial position;
- Degrémont's sale of its former head office at Rueil Malmaison (€40 million reduction);
- foreign exchange impacts (+€25 million).

12.3.2 Bond issues

SUEZ ENVIRONNEMENT COMPANY conducted the following transactions on its bond debt during 2011:

• on May 5, 2011, SUEZ ENVIRONNEMENT COMPANY initiated a transaction combining elements of redemption and exchange of the 2014 tranche of its 2009 bond issue and bearing a fixed coupon of 4.875%. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity. At the completion of this process, €338 million of 2014 bonds had been redeemed and exchanged as part of a 10-year bond issue for a total amount of €500 million (bearing a fixed coupon of 4.078%), which was further added to in September for a final total of nominal value of €750 million;

- in November 2011, SUEZ ENVIRONNEMENT COMPANY completed a seven-year private placement of €100 million, bearing a coupon of 3.08%;
- in December 2011, SUEZ ENVIRONNEMENT COMPANY also completed an inaugural issue in pounds sterling in the amount £250 million, bearing a coupon of 5.375% maturing in December 2030.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate risk and foreign exchange risk is presented in Note 13 – Risks arising from financial instruments.

12.3.3 Debt/equity ratio

In millions of euros	December 31, 2011	December 31, 2010
Net debt	7,557.3	7,525.6
Total equity	6,817.2	6,626.8
Debt/equity ratio	110.9%	113.6%

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12.4 Fair value of financial instruments per level

12.4.1 Financial assets

Financial assets 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, 2011				December	31, 2010		
In millions of euros	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Available-for-sale securities	410.9	147.2		263.7	517.7	191.1		326.6
Loans and receivables carried at amortized cost (excluding trade and other receivables)	859.1		859.1		806.2		806.2	
Derivative financial instruments	227.9		227.9		180.4		180.4	
Derivatives hedging borrowings	191.4		191.4		135.0		135.0	
Derivatives hedging commodities	4.0		4.0		3.4		3.4	
Derivatives hedging other items	32.5		32.5		42.0		42.0	
Financial assets measured at fair value through income excluding derivatives	14.7		14.7		264.7		264.7	
TOTAL	1,512.6	147.2	1,101.7	263.7	1,769.0	191.1	1,251.3	326.6

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.

As of December 31, 2011, the change in Level 3 available-for-sale securities breaks down as follows:

In millions of euros

At December 31, 2010	326.6
Acquisitions	9.1
Disposals	(4.6)
Gains and losses posted to equity	(3.6)
Gains and losses posted to income	(36.6)
Changes in scope, exchange rates and other	(27.2)
At December 31, 2011	263.7

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 €10.8 million decline in equity.

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 of 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 fair value, determined according to observable data, are considered Level 2.

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12.4.2 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, 2011			December 31, 2010		
In millions of euros	Total	Level 1 Level 2	Level 3	Total	Level 1 Level 2	Level 3
Borrowings	10,070.8	10,070.8	}	9,640.1	9,640.1	
Derivative financial instruments	189.2	189.2		149.2	149.2	
Derivatives hedging borrowings	186.1	186.1		111.7	111.7	
Derivatives hedging commodities	-			0.5	0.5	
Derivatives hedging other items	3.1	3.1		37.0	37.0	
TOTAL	10,260.0	- 10,260.0	-	9,789.3	- 9,789.3	

Bonds and borrowings:

Bond debt involved in fair value hedging is shown in this table as Level 2. These borrowings are revalued only in terms of their interest rate components, the fair value of which is based on observable data.

Derivative financial instruments:

See Note 12.4.1.

NOTE 13 Management of risks arising from financial instruments

The Group mainly uses derivative instruments to manage its exposure to market risks. The management of financial risks is explained in Chapter 4 – "Risk factors" of the Reference Document.

13.1 Market risks

13.1.1 Commodity market risks

13.1.1.1 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 that may specifically affect its supply costs.

13.1.1.2 Fair value of derivative instruments linked to commodities

The fair values of derivative instruments linked to commodities as of December 31, 2011 and 2010 are presented in the table below:

		December 31, 2011				December 31, 2010			
	Asse	Assets Liabilities		Assets		Liabilities			
In millions of euros	Current	Non- current	Current	Non- current	Current	Non- current	Current	Non- current	
Cash flow hedges	4.0	-	-	-	3.4	-	0.5	-	
TOTAL	4.0	-	-	-	3.4	-	0.5	-	

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

		December	31, 2011		December 31, 2010			
	Assets		Liabili	ties	Assets		Liabilities	
		Non-		Non-		Non-		Non-
In millions of euros	Current	current	Current	current	Current	current	Current	current
ELECTRICITY	0.8	-	-	-	1.9	-	-	-
Swaps	0.8	-	-	-	1.9	-	-	-
Options	-	-	-	-	-	-	-	-
Forwards/futures	-	-	-	-	-	-	-	-
OIL	3.2	-	-	-	1.5	-	0.5	-
Swaps	3.2	-	-	-	1.5	-	0.5	-
Options	-	-	-	-	-	-	-	-
Forwards/futures	-	-	-	-	-	-	-	-
TOTAL	4.0	-	-	-	3.4	_	0.5	_

13.1.2 Exchange rate 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 when consolidating the financial statements of its non-eurozone foreign subsidiaries (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 expected 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 coverage 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, 46% of net debt was denominated in euros, 21% in US dollars, 5% in pounds sterling, 15% in Chilean pesos and 5% in Australian dollars at the end of 2011, compared to 44% in euros, 17% in US dollars, 9% in pounds sterling, 17% in Chilean pesos and 4% in Australian dollars at the end of 2010.

13.1.2.1 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 borrowing	December 31, 2011 December			31, 2010
In millions of euros	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	69%	53%	81%	70%
US\$ zone	8%	16%	6%	9%
£ Zone	4%	4%	2%	4%
CLP (Chilean peso)	11%	12%	6%	7%
AUD (Australian dollar)	3%	5%	1%	2%
Other currencies	5%	10%	4%	8%
TOTAL	100%	100%	100%	100%

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Net debt	Decembe	r 31, 2011	December 31, 2010		
In millions of euros	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives	
Euro zone	68%	46%	70%	44%	
US\$ zone	10%	21%	9%	17%	
£ Zone	4%	5%	3%	9%	
CLP (Chilean peso)	14%	15%	14%	17%	
AUD (Australian dollar)	2%	5%	1%	4%	
Other currencies	2%	8%	3%	9%	
TOTAL	100%	100%	100%	100%	

13.1.2.2 Analysis of foreign exchange risk sensitivity

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

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

Impact on income:

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the reporting currency of the companies carrying the liabilities on their statement of financial position, and only to the extent that these liabilities do not qualify as net investment hedges. A uniform +/-10% change in foreign currencies against the euro would yield a gain or loss of €9.7 million.

Impact on equity:

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform 10% change in foreign currencies against the euro would impact equity by €124.8 million. This impact would be offset by any countereffect on the net investment in the hedged currency.

13.1.3 Interest rate risk

The Group aims 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 regularly reviewed (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 at fixed rates has increased (by 12%) to take advantage of low long-term rates.

The cost of debt is sensitive to changes in interest rates on all floatingrate debt. It is also affected by changes in market value of derivative instruments not classified as hedges under IAS 39.

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euros, US dollars, pounds sterling, Chilean pesos and Australian dollars, which represented 92% of net debt as of December 31, 2011.

13.1.3.1 Financial instruments by rate type

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:

Outstanding borrowing	December	· 31, 2011	December 31, 2010		
In millions of euros	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives	
Floating rate	34%	42%	36%	44%	
Fixed rate	66%	58%	64%	56%	
TOTAL	100%	100%	100%	100%	

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	December	r 31, 2011	December	31, 2010
Net debt:	Before impact of derivatives		Before impact of derivatives	After impact of derivatives
Floating rate	9%	19%	20%	31%
Fixed rate	91%	81%	80%	69%
TOTAL	100%	100%	100%	100%

13.1.3.2 Analysis of interest rate risk sensitivity

The sensitivity analysis was based on the net debt position as at the reporting date (including interest rate and currency derivative instruments).

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 €20 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a gain of €2.1 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 €2.1 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 €22.4 million due to the change in fair value of qualified cash-flow hedging derivatives.

13.1.4 Foreign exchange and interest rate risk 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, 2011	December	31, 2010
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	27.8	421.4	3.4	278.6
Cash-flow hedges	(0.8)	19.1	0.1	34.5
Net investment hedges	(50.8)	1,025.2	(24.5)	1,225.8
Derivative instruments not qualifying for hedge accounting	(20.6)	1,161.6	3.5	513.9
TOTAL	(44.4)	2,627.3	(17.5)	2,052.8

Interest rate derivatives

	December	· 31, 2011	December	· 31, 2010
In millions of euros	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	135.5	1,761.8	98.3	1,850.0
Cash-flow hedges	(51.1)	825.2	(39.0)	864.3
Derivative instruments not qualifying for hedge accounting	(6.9)	329.6	(14.5)	324.3
TOTAL	77.5	2,916.6	44.8	3,038.6

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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 mainly correspond 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 coverage 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

As of December 31, 2011, the net impact of fair value hedges recognized in the income statement was -€3.6 million.

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 3	1.	2011	ı
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In millions of euros	Total	2012	2013	2014	2015	2016	> 5 yrs
Fair value of derivatives by maturity date	(51.9)	(14.9)	(21.5)	(8.1)	(3.7)	(2.5)	(1.2)

At December 31, 2010

In millions of euros	Total	2011	2012	2013	2014	2015	> 5 yrs
Fair value of derivatives by maturity date	(38.9)	(15.2)	(8.5)	(13.4)	(2.5)	(0.9)	1.6

As of December 31, 2011, unrealized gains and losses directly recognized in equity Group share over the period amounted to a loss of -€42.9 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 was insignificant.

13.2 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 for) and replacement risk on defaulting contracts (called mark-to-market exposure to the risk that replacement terms will be different from the initially agreed-upon terms).

13.2.1 Operating activities

Counterparty risk arising from trade and other receivables

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

In millions of euros		Pas	t-due non impaire at clos	Impaired assets ^(a)	on-impaired and not past-due assets	Total	
Trade and other receivables	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2011	338.6	19.5	37.7	395.8	404.3	3,551.1	4,351.2
At December 31, 2010	335.7	26.7	48.0	410.4	299.5	3,366.0	4,075.9

⁽a) The total corresponds to the nominal value of trade receivables that are partially or totally impaired

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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, taking into account the diversified nature of its portfolio.

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 these assets.

13.2.2 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. €7,713.2 million as of December 31, 2011, and €6,949.6 million as of December 31, 2010).

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

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

In millions of euros	P	ast-due no	n impaired a	assets at sing date	Impaired assets ^(a)	Non-impaired and not past- due assets	Total
Loans and receivables carried at amortized cost (excluding trade and other receivables)	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 2011	0.1	0.0	0.1	0.2	120.3	861.2	981.7
At December 31, 2010	0.0	0.0	0.1	0.1	118.4	808.0	926.6

⁽a) This total corresponds to the nominal value of loans and receivables at amortized cost (excluding trade and other receivables) that are partially or

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (€120.3 million as of December 31, 2011 and €118.4 million as of December 31, 2010) or amortized cost (€2.3 million as of December 31, 2011 and €2 million as of December 31, 2010). The change in these items is presented in Note 12.1.2 - Loans and receivables at amortized cost.

13.2.2.2 Counterparty risk arising from investment 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 that 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.

		Decem	ber 31, 201	11	December 31, 2010				
Counterparty risk arising from investing activities	Total	Investment Grade ^(a)	Unrated ^(b)	Non Investment Grade ^(b)	Total	Investment Grade ^(a)	Unrated ^(b)	Non Investment Grade ^(b)	
% of exposure to counterparties	2,493.5	91%	2%	7%	1,826.5	93%	2%	5%	

⁽a) Counterparties with a minimum Standard & Poor's rating of BBB- or Moody's rating of Baa3.

Moreover, as of December 31, 2011 no counterparty outside the GDF SUEZ Group represented more than 15% of cash and cash equivalents (weighted by the estimated risk of each investment depending on type, currency and maturity).

⁽b) 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.

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13.3 Liquidity risk

In its operating and financial activities, the Group may be exposed to liquidity risk that may prevent it from meeting its contractual obligations.

13.3.1 Available cash

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

- On January 1, 2011, GDF SUEZ signed a new agreement guaranteeing the SUEZ ENVIRONNEMENT Group a €350 million line of credit, which expires in July 2013. This agreement replaces the master agreement signed in 2008, which expired on December 31, 2010;
- Diversification of financing sources between the banking and capital markets;
- · Balanced repayment profile of borrowings.

As of December 31, 2011, the Group had available cash of €2,699.6 million (including €14.7 million in UCITS held for trading purposes and €191.4 million in financial derivatives). Almost all surplus cash was invested in short-term bank deposits and regular cash UCITS.

In addition, as of December 31, 2011 the Group had €3,471.7 million in confirmed credit facilities, €989.7 million of which was already

drawn upon; unused credit facilities therefore totaled €2,482 million, €500.5 million of which will mature in 2012.

67% of the total lines of credit and 78% of lines not drawn down were centralized. None of the centralized lines of credit contain a default clause linked to financial ratios or credit rating.

Bank funding represented 26% of gross financial debt (excluding bank overdrafts, amortized cost and derivative effects) as of December 31, 2011. Capital market financing (securitization accounting for 3%, and bonds for 61%) represented 64% of the total. The credit facilities at GDF SUEZ represent no more than 1% of resources.

The Group anticipates that its financing needs for 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

13.3.2 Undiscounted contractual payments

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

At December 31, 2011							Beyond
In millions of euros	TOTAL	2012	2013	2014	2015	2016	5 years
Debt with GDF SUEZ	148.2	6.0	6.0	6.0	106.0	4.5	19.7
Bond or bank borrowings	9,748.8	1,936.6	197.3	1,295.6	353.5	666.8	5,299.0
TOTAL	9,897.0	1,942.6	203.3	1,301.6	459.5	671.3	5,318.7

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Moreover, as of December 31, 2011 undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

At December 31, 2011							Beyond
In millions of euros	TOTAL	2012	2013	2014	2015	2016	5 years
Bonds issues	5,740.2	100.2	16.6	1,060.9	72.1	90.9	4,399.5
Draw downs on credit facilities	989.7	395.4	2.3	47.2	58.9	415.9	70.0
Borrowings under finance leases	506.6	55.3	53.1	50.3	49.3	48.0	250.6
Other bank borrowings	1,427.5	450.7	111.3	121.9	134.2	102.6	506.8
Other borrowings	606.5	314.5	20.0	21.3	145.0	13.9	91.8
Overdrafts and current accounts	626.5	626.5	-	-	-	-	-
Outstanding borrowings	9,897.0	1,942.6	203.3	1,301.6	459.5	671.3	5,318.7
Financial assets measured at fair value through income	(14.7)	(14.7)	-	-	-	-	-
Cash and cash equivalents	(2,493.5)	(2,493.5)	-	-	-	-	-
Net debt excluding amortized cost and impact of							
derivative financial instruments	7,388.8	(565.6)	203.3	1,301.6	459.5	671.3	5,318.7
At December 31, 2010							Beyond
In millions of euros	TOTAL	2011	2012	2013	2014	2015	5 years
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 and Cash and cash equivalents	(2,091.2)	(2,091.2)	-	-	-	-	-
Net debt excluding amortized cost and impact of derivative financial instruments	7,424.6	(889.1)	1,173.9	367.6	1,536.5	830.5	4,405.2

As of December 31, 2011, undiscounted contractual interest payments on outstanding borrowings broke down as follows by maturity:

At December 31, 2011							Beyond
In millions of euros	TOTAL	2012	2013	2014	2015	2016	5 years
Undiscounted contractual interest payments on outstanding borrowings	3,458.4	389.2	363.6	360.2	343.4	290.2	1,711.8
At December 31, 2010							Beyond
In millions of euros	TOTAL	2011	2012	2013	2014	2015	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

As of December 31, 2011, 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, 2011							Beyond
In millions of euros	TOTAL	2012	2013	2014	2015	2016	5 years
Derivatives (excluding commodities)	148.2	90.2	27.4	11.2	7.0	4.9	7.5
At December 31, 2010							Beyond
In millions of euros	TOTAL	2011	2012	2013	2014	2015	5 years
Derivatives (excluding commodities)	99.1	58.0	26.2	11.3	3.6	0.4	(0.5)

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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 confirmed undrawn credit facilities is as follows:

In millions of euros	TOTAL	2012	2013	2014	2015	2016	Beyond 5 years
At December 31, 2011	2,482.0	500.5	372.7	211.8	73.6	1,284.1	39.3
	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

Confirmed but unused lines of credit notably include a €1.5 billion multi-currency club deal (maturing in 2016) renegotiated in March 2011.

As of December 31, 2011, excluding the €350 million line between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY, no counterparty represented more than 14% of confirmed unused credit facilities.

13.4 Equity risk

As of December 31, 2011, available-for-sale securities held by the Group amounted to €410.9 million (see Note 12.1.1).

A 10% decrease in the value of the listed securities would have a negative pre-tax impact of approximately €14.7 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.

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NOTE 14 Equity

14.1 Share capital

	Nu	mber of share	ne .	(in	ne)	
	Total	Treasury shares	Outstanding shares	Share	millions of euro Additional paid-in capital	Treasury shares
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
Issuance						
Allocation to legal reserves					(8.2)	
Purchase and disposal of treasury shares		9,500,229	(9,500,229)			39.7
Dividends paid in shares	19,008,731		19,008,731	76.0	171.7	
Capital decrease by cancellation of shares	(8,370,000)	(8,370,000)		(33.5)	(65.3)	(33.5)
Worldwide Employee share plan (Sharing)	9,896,038		9,896,038	39.6	46.1	
At December 31, 2011	510,233,829	3,294,721	506,939,108	2,040.9	4,147.2	36.4

At the date of listing on July 22, 2008, the share capital of SUEZ ENVIRONNEMENT COMPANY was €1,958.8 million, comprising 489,699,060 shares (nominal value of €4.00 and issue premium of €8.60 per share).

Changes in the number of shares during fiscal year 2011 are due to:

· a dividend payment in shares: this option, ratified by SUEZ ENVIRONNEMENT COMPANY's Shareholders' Meeting of May 19, 2011, was taken up by 78.4% of shareholders and led to the creation of 19,008,731 shares;

- the Board of Directors' decision of December 8, 2011 to cancel 8,370,000 treasury shares;
- · an employee share issue as part of the SHARING global employee shareholding plan: in total, 9,896,038 shares were issued, bringing the capital increase of December 8, 2011 to an amount of €85.7 million.

14.2 Treasury shares

A tacitly renewable €25 million liquidity contract was signed with Rothschild et Cie Banque on August 3, 2010. An addendum dated February 8, 2011 increased this amount to €40 million. 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 is approved by the AMF.

There were 3,294,721 treasury shares (of which 3,075,000 are held under the liquidity contract and 219,721 are held for the bonus share

allocation plan) as of December 31, 2011 with a value of €36.4 million, compared to 2,164,492 shares as of December 31, 2010 with a value of €30.2 million and 301,000 shares as of December 31, 2009 with a value of €4.7 million.

In order to partially hedge the stock option program approved by the Board of Directors on December 17, 2009, in May 2010 SUEZ ENVIRONNEMENT COMPANY acquired call options that replicate the conditions set on the stock options granted to employees ("mirror calls"). These represented a total of 1,833,348 shares. There was no equivalent transaction in 2011.

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14.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves including income for the year (€4,205 million as of December 31, 2011) incorporate the SUEZ ENVIRONNEMENT COMPANY legal reserve. In accordance

with French law, SUEZ ENVIRONNEMENT COMPANY's legal reserve represents 10% of share capital. This reserve may be distributed to shareholders only in the event of the company's liquidation.

14.4 Dividend distribution

As it did for fiscal years 2009 and 2010, the board will propose a dividend, in this case €0.65 per share for a total of €329.5 million based on the number of outstanding shares as of December 31, 2011, to the SUEZ ENVIRONNEMENT COMPANY's shareholders' meeting convened to approve the financial statements for the fiscal year ended December 31, 2011.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2012. This dividend is not recognized under liabilities in the financial statements as of December 31, 2011, as these financial statements are presented before dividend allocation.

14.5 Total gains and losses recognized in equity (Group share)

In millions of euros	Dec. 31, 2011	Change	Dec. 31, 2010	Change	Dec. 31, 2009
Available-for-sale securities	(49.0)	(56.8)	7.8	5.5	2.3
Net investment hedges	(62.1)	(39.2)	(22.9)	(63.3)	40.5
Cash-flow hedges (excluding commodities)	(43.0)	(2.7)	(40.3)	(5.6)	(34.7)
Commodity cash-flow hedges	3.1	2.0	1.1	17.3	(16.2)
Deferred tax on available-for-sale securities and hedges	40.0	15.4	24.6	9.0	15.6
Share of associates on reclassifiable items, net of tax	(41.9)	(27.8)	(14.1)	(4.7)	(9.4)
Translation adjustments on reclassifiable items	144.1	117.8	26.3	170.4	(144.2)
TOTAL RECLASSIFIABLE ITEMS	(8.7)	8.7	(17.4)	128.6	(146.1)
Actuarial gains and losses	(174.0)	(79.3)	(94.7)	(2.6)	(92.1)
Translation adjustments on actuarial gains and losses	58.6	27.3	31.3	4.9	26.4
Share of associates on non reclassifiable items, net of tax	0.0	0.0	0.0	0.0	0.0
Translation adjustments on non reclassifiable items	(7.6)	(2.0)	(5.6)	(4.7)	(0.8)
TOTAL NON RECLASSIFIABLE ITEMS	(123.0)	(54.0)	(69.0)	(2.4)	(66.5)
TOTAL	(131.7)	(45.3)	(86.4)	126.2	(212.6)

All the items in the table above are reclassifiable to profit and loss statement in future years, with the exception of actuarial gains and losses, which are shown in consolidated reserves Group share.

14.6 Undated deeply subordinated notes

In 2010, SUEZ ENVIRONNEMENT COMPANY issued undated deeply subordinated notes (known as hybrids) in the 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.

⁽¹⁾ If there is 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 2011, no interest has been deducted from equity.

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14.7 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 and maintain a strong rating while ensuring the desired financial flexibility in order to seize external growth opportunities that will create value. The Group manages its financial structure and makes adjustments in light of changes in economic conditions.

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

NOTE 15 Provisions

As of 31 December, 2011:

In millions of euros	December 31, 2010	Allowances	Reversals (utilizations)	Reversals (surplus provisions)		discount ad-	Translation adjust- ments	Other	December 31, 2011
Post-employment benefit obligations and other long-term benefits	490.7	37.8	(64.0)	-	1.2	13.8	5.1	86.1	570.7
Sector-related risks	103.7	28.7	(3.6)	(29.7)	3.4	-	0.2	(0.9)	101.8
Warranties	29.3	4.4	(4.7)	-	0.1	-	0.2	(0.5)	28.8
Tax risks, other disputes and claims	266.0	12.4	(18.5)	(48.3)	(2.0)	-	(0.1)	1.8	211.3
Site restroration	540.4	31.9	(45.6)	-	11.5	22.3	5.2	1.3	567.0
Restructuring costs	54.7	8.6	(40.5)	(0.4)	0.7	-	-	(1.6)	21.5
Other contingencies	171.7	193.3	(72.6)	(5.5)	146.3	8.7	8.3	(116.7) ^(b)	333.5
TOTAL PROVISIONS	1,656.5	317.1	(249.5)	(83.9)	161.2	44.8	18.9	(30.5)	1,834.6

⁽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 as of December 31, 2011 over December 31, 2010 is mainly due to the

- provisions in the amount of €138.9 million corresponding to the fair value of loss-making contracts following the acquisition of WSN (see Note 2 - Major 2011 transactions);
- · reversals reflecting the extinction of tax risks in the amount of -€48.3 million as well as the extinction of guarantees on liabilities in the amount of -€29.7 million;
- · an increase in provisions for post-employment obligations and other long-term benefits in the net amount of €74.9 million,

- excluding foreign exchange rate effects mainly due to the drop in the discount rate and inflation rate as part of the review of actuarial assumptions;
- · a payment by Agbar of the restructuring costs provisioned in 2010, in the amount of -€19.5 million;
- · increase due to the impact of unwinding the discounting adjustments for site restoration in the amount of €22.3 million, reflecting the reduction in the discount rate;
- translation adjustments of +€18.9 million, mainly generated by the North American and Australian subsidiaries.

⁽b) Allocation to provisions for loss at completion on the contract to build the Melbourne desalination plant in the amount of €105 million has been reclassified as Other current liabilities in accordance with the presentation used by the Group for losses at completion on construction contracts.

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The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the income statement for 2011:

In millions of euros	Net Allowances/ (Reversals)
Income from operating activities	35.1
Other financial income and expenses	44.8
Income Tax Expense	(51.4)
TOTAL	28.5

The analysis by types of provision and the principles used to calculate them are explained below.

15.1 Post-employment benefit obligations and other long-term benefits

See Note 16.

15.2 Sector-related risks

This item primarily includes provisions for risks relating to court proceedings involving the Argentinean contracts and to warranties

given in connection with divestments that are likely to be called upon.

15.3 Tax risks, other disputes and claims

This item includes provisions for ongoing disputes involving employees or social security agencies (such as social security contribution relief), disputes arising in the ordinary course of business

(customer claims, accounts payable disputes), tax adjustments and tax disputes.

15.4 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 upon 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 and 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 provision (rehabilitation and long-term monitoring) calculated on a case-by-case basis depending upon 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 and is depreciated in line with the depletion of landfill capacity or the need for coverage during the period.

Rehabilitation provision calculations (at the time the facility is shut down) depend upon whether the capping used is semi-permeable,

semi-permeable with drainage, or impermeable. This choice has a considerable impact on future levels of leachate effluents and therefore on future costs for 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 and on work still to be carried out.

Calculation of the provision for long-term monitoring depends upon 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; 20

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- upkeep and maintenance of the protective capping and of the infrastructure (surface-water collection);
- · control and monitoring of surface water, underground water and
- 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 that should be recorded in the statement of financial position 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).

15.5 Other contingencies

This item mainly includes provisions for miscellaneous employee-related and environment-related litigation and for various business risks.

NOTE 16 Post-employment benefit obligations and other long-term benefits

16.1 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 $% \left(1\right) =\left(1\right) \left(1\right) \left($ 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 Group companies in the US and UK.

Defined benefit plans may be fully or partially 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). These funds are fed by contributions from the company and, in certain cases, from 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 risk so that financing is assured through payroll-based contributions, calculated uniformly across all affiliated companies. In the Netherlands, multi-employer plans are defined benefit plans. However, the Group recognizes them as defined contribution plans in accordance with IAS 19.

16.2 Pension reform in France

The reformed pension law was enacted by the French president and published in the Journal Officiel on November 10, 2010. This law was partly modified by the 2012 Financing law past by the French Parliament in 2011.

The main legal reforms included:

· 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 2017 by adding four months each year.
- the number of working years required to qualify for a full pension was increased for anyone born in 1955 or later to 41.5 years.

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16.3 Defined benefit plans

16.3.1 Amounts presented in the statement of financial position and the statement of comprehensive income

The information presented in 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 that 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, 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)	-	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)
Translation gains and losses	0.2	(5.3)	(5.1)
Actuarial gains and losses ^(a)	(2.8)	(70.7)	(73.5)
Supplementary provision (IFRIC 14) ^(b)	-	-	-
Changes in scope of consolidation and other	(15.9)	(20.2)	(36.1)
Expense of the period ^(c)	3.6	(24.4)	(20.8)
Contributions	2.2	40.6	42.8
Balance at December 31, 2011	6.0	(570.7)	(564.7)

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

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

Expenses for the year amounted to €20.8 million in 2011 versus €48.6 million in 2010. The components of annual expenses for defined benefit plans are explained in Section 16.3.3.

Accumulated actuarial gains and losses recognized in equity amounted to -€174.1 million as of December 31, 2011 versus -€93.0 million as of December 31, 2010. These are presented below, excluding translation adjustments (which are presented separately in the comprehensive income statement).

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Opening balance	(93.0)	(91.4)
Actuarial gains and (losses) generated during the year ^(a)	(73.5)	(16.8)
Scope effects	(7.6)	15.2
Closing balance	(174.1)	(93.0)

(a) Including supplementary provisions and write-backs per IFRIC 14.

Scope effects recorded for 2011 correspond mainly to actuarial gains and losses being recycled to reserves on the date that Agbar lost control over Bristol Water, in accordance with IAS 1 – *Presentation of financial statements*.

Scope effects recorded for 2010 corresponded mainly to actuarial gains and losses being recycled to reserves on the date that Agbar was taken over by SUEZ ENVIRONNEMENT.

(2)

⁽b) Supplementary provision translated at the average exchange rate for the period.

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

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16.3.2 Change in the amount of obligations and plan assets

The table below shows the amount of present benefit obligations and plan assets of 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.

			December 31	I, 2011			December 3	1, 2010	
			Other				Other		
		Pension	post-	Other		Pension	post-	Other	
In millions of euros		obligations ^(a)	employment benefits ^(b)	long term benefits ^(c)	Total	obligations ^(a)	employment benefits ^(b)	benefits ^(c)	Total
Change in projected benefit obligation									
Projected benefit									
obligation at Jan. 1, 2011		(855.6)	(186.7)		(1,060.1)		(165.6)	, ,	(961.3)
Service cost		(25.3)	(5.2)	(1.2)	(31.7)		(5.7)		(33.1)
Interest cost		(38.3)	(8.5)	(0.9)	(47.7)		(9.4)	(0.9)	(52.1)
Contributions paid		(1.8)	-	-	(1.8)	(2.0)	-	-	(2.0)
Amendments		12.1	(1.2)	-	10.9	-	-	-	-
Acquisitions/Disposals of subsidiaries		141.9	-	(1.4)	140.5	(183.7)	(0.9)	(0.3)	(184.9)
Curtailments/settlements		14.7	-	0.2	14.9	198.0	0.4	0.2	198.6
Special terminations		(0.0)	(0.1)	-	(0.1)	-	-	-	-
Actuarial gains and losses		(39.9)	(7.9)	(2.1)	(49.9)	(33.8)	(5.8)	(1.3)	(40.9)
Benefits paid		33.6	7.1	1.9	42.6	34.9	6.5	1.6	43.0
Other		(13.1)	(3.1)	0.4	(15.8)	(21.0)	(6.2)	(0.2)	(27.4)
Projected benefit									
obligation at Dec. 31, 201	1 A	(771.7)	(205.6)	(20.9)	(998.2)	(855.6)	(186.7)	(17.8)	(1,060.1)
Change in fair value of plan assets									
Fair value of plan assets at Jan. 1, 2011		544.3	46.3	-	590.6	495.4	34.9	-	530.3
Expected return on plan assets		30.6	2.9	-	33.5	31.7	2.8	-	34.5
Contributions received		35.4	7.3	1.9	44.6	34.3	6.8	1.6	42.7
Acquisitions/Disposals of subsidiaries		(176.6)	-	-	(176.6)	187.7	(1.7)	-	186.0
Curtailments/settlements		(2.8)	-	-	(2.8)	(195.2)	-	-	(195.2)
Actuarial gains and losses		(16.9)	(8.7)	-	(25.6)	14.3	7.3	-	21.6
Benefits paid		(33.6)	(7.1)	(1.9)	(42.6)	(34.9)	(6.5)	(1.6)	(43.0)
Other		9.3	1.3	-	10.6	11.0	2.7	-	13.7
Fair value of plan assets at Dec. 31, 2011	В	389.7	42.0		431.7	544.3	46.3	-	590.6
Funded status	A+B	(382.0)	(163.6)	(20.9)	(566.5)	(311.3)	(140.4)	(17.8)	(469.5)
Unrecognized past service cost		9.7	(7.9)	-	1.8	7.8	(10.3)	-	(2.5)
Limit on defined benefit assets (IAS 19 Sect. 58B)			-	-	_	_	-	-	-
Supplementary provision (IFRIC 14)			_	-	_	_	-	-	-
Net benefit obligation		(372.3)	(171.5)	(20.9)	(564.7)	(303.5)	(150.7)	(17.8)	(472.0)
TOTAL LIABILITIES		(378.3)	(171.5)	(20.9)	(570.7)	(322.2)	(150.7)	(17.8)	(490.7)
TOTAL ASSETS		6.0		-	6.0	18.7	-	-	18.7

⁽a) Pensions and retirement bonuses.

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

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

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In 2011, the €36.1 million net impact relating to acquisitions/ disposals of subsidiaries is mainly due to the loss of control over entities managing the regulated activities within Bristol Water, subsidiary of Agbar. The net pension obligation for Bristol Water was deconsolidated on September 30 (€143.2 million in benefit obligation and €176.6 million in plan assets).

The net actuarial loss of €75.5 in 2011 (€73.4 million of which was recognized in other comprehensive income and €2.1 million in the income statement) includes a €57.8 million loss linked to changes in the discount and inflation rates since December 31, 2010. In addition, pension and medical insurance obligations for United Water retirees

were adjusted in 2011 to reflect a change in the mortality table. This change, treated as a change in assumptions, increases the obligations by €13.5 million, and is recognized in other comprehensive income.

In 2010, acquisitions and disposals related mainly to the takeover of Agbar and the unwinding of joint investments with Veolia Eau in France.

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) included a €47.0 million loss linked to the change in the discount and inflation rates since December 31, 2009.

16.3.3 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 2011	Fiscal year 2010
Current service cost	(31.7)	(33.1)
Interest cost	(47.7)	(52.1)
Expected return on plan assets	33.5	34.5
Actuarial gains or losses	(2.1)	(1.3)
Past service cost	15.3	-
Gains or losses on pension plan curtailments, terminations and settlements	12.1	3.4
Special terminations	(0.1)	-
TOTAL	(20.8)	(48.6)
Of which recognized in current operating income	(6.6)	(31.0)
Of which recognized in financial income/(loss)	(14.2)	(17.6)

16.3.4 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 investment 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 quarantees 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.

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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	(781.3)	382.2	5.1	-	(394.0)
Overfunded plans	(47.0)	49.5	-	-	2.5
Unfunded plans	(169.9)	-	(3.3)	-	(173.2)
TOTAL DECEMBER 31, 2011	(998.2)	431.7	1.8	-	(564.7)
Underfunded plans	(720.2)	400.8	2.0	-	(317.4)
Overfunded plans	(171.1)	189.8	-	-	18.7
Unfunded plans	(168.8)	-	(4.5)	-	(173.3)
TOTAL DECEMBER 31, 2010	(1,060.1)	590.6	(2.5)	-	(472.0)

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

	2011	2010
Equities	35%	38%
Bonds	51%	56%
Real Estate	1%	1%
Other (including money market securities)	13%	5%
TOTAL	100%	100%

16.3.5 Actuarial assumptions

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

	Pensions		Other employmer	•	Long-term benefits		Total benefit obligation	
	2011	2010	2011	2010	2011	2010	2011	2010
Discount rate	4.4%	4.7%	4.5%	4.7%	3.7%	4.2%	4.4%	4.7%
Estimated future increase in salaries	3.2%	3.6%	3.7%	3.7%	3.1%	3.0%	3.3%	3.6%
Expected return on plan assets	6.2%	5.8%	7.7%	7.2%	-	-	6.3%	5.9%
Average remaining working lives of participating employees	12 yrs	17 yrs	14 yrs	14 yrs	19 yrs	15 yrs	13 yrs	17 yrs

Discount and salary increase rates are shown including inflation.

16.3.5.1 Discount rates

The discount rate used is determined by reference to the yield, at the measurement date, of the corporate bonds rated AA with a maturity corresponding to the anticipated term of the obligation.

The rates used for the euro, US dollar and GBP are the 10, 15 and 20 year rates on AA corporate bonds.

16.3.5.2 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 of December 31 of the preceding year. An expected yield for the year, published by a third party, is applied to each sub-group, and the 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.

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16.3.5.3 Other assumptions

The assumptions used for healthcare cost trend rates (including inflation) are 4.2% for 2012, 4.0% for 2013 and 3.8% for 2014.

These assumptions are used for the valuation of other postemployment benefits.

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

In millions of euros	Increase of one point	Decrease of one point
Impact on expenses	2.4	(1.8)
Impact on other post-employment benefits	28.9	(22.8)

16.3.5.4 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, 2011		December 31, 2010		December 31, 2009	
In millions of euros		Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Present benefit obligation	а	(771.7)	(226.5)	(855.6)	(204.5)	(779.9)	(181.4)
Fair value of plan assets	b	389.7	42.0	544.3	46.3	495.4	34.9
Funded Status	a+b	(382.0)	(184.5)	(311.3)	(158.2)	(284.5)	(146.5)
Experience adjustments to projected benefit obligations	С	6.4	8.2	10.1	0.1	(14.4)	(3.1)
Experience adjustments to fair value of plan assets	С	(16.9)	(8.7)	14.3	7.3	19.5	2.4
as a % of projected benefit obligation	c/a	1%	0%	(3)%	(4)%	(1)%	0%

		December 31, 2008		Decemb	per 31, 2007
In millions of euros		Pensions	Other benefit obligations	Pensions	Other benefit obligations
Present benefit obligation	а	(730.9)	(185.2)	(756.1)	(162.0)
Fair value of plan assets	b	470.5	31.0	583.8	38.1
Funded Status	a+b	(260.4)	(154.2)	(172.3)	(123.9)
Experience adjustments to projected benefit obligations	С	(0.5)	(1.4)	10.2	8.7
Experience adjustments to fair value of plan assets	С	(104.9)	(11.5)	2.8	1.3
as a % of projected benefit obligation	c/a	14%	7%	(2)%	(6)%

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 16.3.2.

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16.3.6 Geographical breakdown of obligations

In 2011, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

Euro Zone		o 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)	(246.3)	(91.1)	(1.8)	-	(98.3)	(50.3)	(35.5)	(43.2)
Discount rate	3.9%	3.9%	5.0%	-	4.7%	4.7%	4.1%	4.5%
Estimated future increase in salaries	3.1%	3.3%	3.9%	-	3.1%	3.0%	3.5%	5.9%
Expected return on plan assets	4.2%	2.0%	5.5%	-	8.5%	8.5%	4.5%	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.

16.3.7 Payments due in 2012

The Group expects to contribute approximately €60 million to its defined benefit plans in 2012.

16.4 Defined contribution plans

In 2011, the Group SUEZ ENVIRONNEMENT COMPANY recorded a €61.2 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

NOTE 17 Construction contracts

The "Amounts due from customers under construction contracts" and "Amounts due to customers under construction contracts" items are presented in the statement of financial position under "Other assets" and "Other liabilities" respectively.

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Amounts due from customers under construction contracts	101.1	109.3
Amounts due to customers under construction contracts	460.5	259.7
NET POSITION	(359.4)	(150.4)

The increase in amounts due to customers for construction contracts is explained by the provision for loss at completion on the Melbourne desalination plant in the amount of €105 million euros

(see Note 15 - "Provisions"). This provision is disclosed within other current liabilities in compliance with reporting principles adopted by the group for the statement of financial position.

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Contracts in progress at closing date:

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Cumulated cost incurred and margins recognized	5,181.0	4,286.6
Advances received	50.7	90.5
Retentions	37.8	89.9

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 the plant in Melbourne.

For the design and construction contracts of Degrémont and OIS, the Group quarantees, by contract, its customers on the delivery of plants ready for operation. In this context, the Group is required to give guarantees which are contingent liabilities for which the Group believes that the probability of cash out is low.

NOTE 18 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.

 $The \, reconciliation \, between \, the \, undiscounted \, value \, and \, the \, present \, value \, of \, minimum \, lease \, payments \, is \, as \, follows: \, and \, control \, c$

	Future minimum I at Dec. 31		Future minimum lease payments at Dec. 31, 2010		
In millions of euros	Undiscounted value	Present value	Undiscounted value	Present value	
During year 1	77.6	73.9	83.2	81.7	
During years 2 to 5 inclusive	276.4	233.3	276.1	258.1	
Beyond year 5	299.3	199.4	318.5	253.4	
TOTAL FUTURE MINIMUM LEASE PAYMENTS	653.3	506.6	677.8	593.2	

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in the statement of financial position (see Note 13.3.2) with undiscounted future minimum lease payments by maturity:

In millions of euros	Total	During year 1	During years 2 to 5 inclusive	Beyond year 5
Liabilities under financial lease	506.6	55.3	200.7	250.6
Impact of discounting future repayments				
of principal and interest	146.7	22.3	75.7	48.7
UNDISCOUNTED FUTURE MINIMUM LEASE				
PAYMENTS	653.3	77.6	276.4	299.3

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NOTE 19 Operating leases

Operating lease income and expenses recognized for fiscal years 2011 and 2010 break down as follows:

In millions of euros	December 31, 2011	December 31, 2010
Minimum lease payments	(298.6)	(235.7)
Contingent lease payments	(27.4)	(22.4)
Sub-letting income	-	-
Sub-letting expense	(9.1)	(6.2)
Other operating lease expenses	(6.6)	(24.5)
TOTAL	(341.7)	(288.8)

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

In millions of euros	December 31, 2011	December 31, 2010
During year 1	178.8	152.3
During years 2 to 5 inclusive	384.9	338.0
Beyond year 5	299.3	263.6
TOTAL	863.0	753.9

This increase reflects the operating lease as lessee by Degrémont of its former head office at Rueil-Malmaison subsequent to its sale to a third party and the integration of WSN (see Note 2).

NOTE 20 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

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 concessionholder 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.

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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 €423.9 million at December 31, 2011 versus €352.9 million at December 31, 2010 and is classified as "Other current 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 21 Share-based payments

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

(Expense) for the period

	N - 4 -	0044	0010
	Note	2011	2010
Stock-option plans	21.1.	(11.3)	(14.2)
Performance share plans	21.2.	(0.7)	(0.9)
Worldwide financial incentive scheme	21.3.	(14.4)	(12.6)
Employees share issues ^{(a)(b)}	21.4.	(2.4)	(9.1)
Exceptional bonus ^(c)		-	(1.4)
		(28.8)	(38.2)

⁽a) In 2010, the cost corresponded to a GDF SUEZ employee share issue; employees of SUEZ ENVIRONNEMENT were eligible to this program. In 2011, the cost corresponds mainly to a SUEZ ENVIRONNEMENT COMPANY employee share issue.

21.1 Stock option plans

21.1.1 Arrangements and grants

No stock options were allocated in 2011. Arrangements relating to plans prior to 2011 are described in the previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

⁽b) The impact of share appreciation rights is shown excluding hedging by warrants.

⁽c) This bonus was put in place in 2006 by the SUEZ group, with no equivalent in subsequent years. It provides for the payment of the value of four SUEZ shares as of June 1, 2010. As it is a cash settled instrument, the corresponding expenses are included in EBITDA.

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21.1.2 Description of current plans

SUEZ ENVIRONNEMENT COMPANY stock option plans

	Date of the authorizing	Starting point for exercise		Outstanding number of				Outstanding number of		Danidual
Plan	shareholders' meeting	of the options	Exercise price	shares at 12/31/2010	Exercised*	Granted	Cancelled or Expired		Expiration date	life
12/17/2009	05/26/2009	12/17/2013	15.49	3,434,448	0	0	18,558	3,415,890	12/16/2017	6.0
12/16/2010	05/26/2009	12/16/2014	14.20	2,944,200	0	0	23,700	2,920,500	12/15/2018	7.0
TOTAL		·		6,378,648	0	0	42,258	6,336,390		

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

The average share price for SUEZ ENVIRONNEMENT COMPANY in 2011 was €12.9.

GDF SUEZ stock option plans

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2010***		Granted	Cancelled or	Outstanding number of shares at 12/31/2011	Expiration date	Residual life
11/19/2003*	05/04/2001	11/19/2007	12.39	694,171	602,954	0	91,217	0	11/18/2011	-
11/17/2004*	04/27/2004	11/17/2008	16.84	2,002,931	165,883	0	23,499	1,813,549	11/16/2012	0.9
12/09/2005*	04/27/2004	12/09/2009	22.79	1,777,841	60,897	0	8,859	1,708,085	09/12/2013	1.9
01/17/2007*	04/27/2004	01/16/2011	36.62	1,640,085	0	0	9,666	1,630,419	01/16/2015	3.1
11/14/2007*	05/04/2007	11/13/2011	41.78	1,293,651	0	0	8,543	1,285,108	11/13/2015	3.9
11/12/2008	07/16/2008	11/12/2012	32.74	1,054,930	0	0	4,880	1,050,050	11/11/2016	4.9
11/10/2009	05/04/2009	11/10/2013	29.44	395,192	0	0	1,614	393,578	09/11/2017	5.9
TOTAL				8,858,801	829,734	0	148,278	7,880,789		

^{*} Exercisable plans

The average share price of GDF SUEZ in 2011 was €24.2.

21.1.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY plans

Based on assumed employee turnover of 5%, the cost recorded during the period in relation to SUEZ ENVIRONNEMENT COMPANY stock option plans was €4.8 million.

(Expense) for the period

In millions of euros	av	Weighted erage fair value	2011	2010
SUEZ ENVIRONNEMENT COMPANY plan	12/17/2009	€3.3	(2.7)	(2.7)
SUEZ ENVIRONNEMENT COMPANY plan	12/16/2010	€2.9	(2.1)	(0.1)
TOTAL			(4.8)	(2.8)

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

^{***} The outstanding number of shares at December 31, 2010 was adjusted for 65,583 options compared to the amount published in the Reference Document 2010.

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SUEZ and GDF SUEZ plans

Based on assumed employee turnover of 5%, the cost recorded during the period in relation to GDF SUEZ stock option plans was €6.5 million.

(Expense) for the period

In millions of euros		Weighted average fair value	2011	2010
SUEZ plan	01/17/2007	€12.3	(0.2)	(4.5)
SUEZ plan	11/14/2007	€15.0	(3.6)	(4.2)
GDF SUEZ plan	11/12/2008	€9.3	(2.1)	(2.1)
GDF SUEZ plan	11/10/2009	€6.0	(0.6)	(0.6)
TOTAL			(6.5)	(11.4)

21.1.4 Share Appreciation Rights (SARs)

In 2007, 2008 and 2009, U.S. employees were granted Share Appreciation Rights, an alternative arrangement to the SUEZ and later

GDF SUEZ stock option plans. These rights had no material impact on the Group's financial statements.

21.2 Performance share plans

21.2.1 Arrangements and grants

SUEZ ENVIRONNEMENT COMPANY allocated no performance shares in 2011.

At its meeting of December 6, 2011, the GDF SUEZ Board of Directors decided to allocate 1,200 performance shares to SUEZ ENVIRONNEMENT employees. In addition to a 3-year service condition, these shares are conditional upon GDF SUEZ share

price performance. This plan had no sizeable impact on the Group's financial statements.

Provisions corresponding to the various plans prior to 2011 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

21.2.2 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 2011, a profit of €4.7 million was recognized for the 2008 and 2009 GDF SUEZ performance share plans to cancel the expenses recognized in previous years. In 2010, a profit of €5.7 million was recognized for the December 2007 SUEZ performance share plans.

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21.2.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY plans

During the period, an expense of \in 3.5 million was recognized for the SUEZ ENVIRONNEMENT COMPANY performance share plans.

(Expense) for the period Number of shares Weighted granted average fair value 2011 2010 December 2009 173,852 €12.3 (8.0)(8.0)December 2010 829,080 €11.6 (2.7)(0.1)**TOTAL** (3.5)(0.9)

SUEZ and GDF SUEZ plans

During the period, a profit of €2.8 million (including reversal of the €4.7 million expense referred to in the preceding section) was recognized for the performance share plans implemented by SUEZ and later GDF SUEZ.

		(Expense) for the period			
	Number of shares granted	Weighted average fair value	2011	2010	
November 2007	396,042	€42.4	-	4.9	
June 2008	24,740	€37.8	(0.1)	(0.1)	
November 2008	357,034	€28.5	4.0	(3.5)	
November 2009	146,656	€ 24.8	(1.0)	(1.2)	
January 2010	9,660	€18.6	(0.1)	(0.1)	
December 2011	1,200	€15.9	-	<u>-</u>	
TOTAL			2.8	<u> </u>	

In 2010, for the November 2007 plan, the book profit of €4.9 million includes reversal of the €5.7 million expense referred to in Section 21.2.2. Similarly, in 2011 the €4.0 million profit and €1.0 million expense recognized for the November 2008 and November 2009 plans include the reversal of a €4.7 million expense referred to in Section 21.2.2

21.3 Worldwide incentive scheme

21.3.1 Arrangements and grant

On June 22, 2011, the GDF SUEZ Board of Directors decided to implement a new bonus share allocation plan to benefit its employees including those of SUEZ ENVIRONNEMENT, who will thus eventually receive 10 GDF SUEZ shares each. Vesting is conditional upon:

- being in service on April 30, 2013 within the GDF SUEZ Group (except in case of retirement, death or disability);
- · a 2 to 4-year vesting period, depending upon the country;
- a mandatory 2 to 3-year lock-in period counting from the vesting date in certain countries.

The arrangements relating to plans prior to 2011 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

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21.3.2 Fair value of allocated shares

The fair value of allocated shares has been calculated using the method described in Note 1 to the consolidated financial statements as of December 31, 2011, Section 1.5.14. The following assumptions were used in determining the fair value per share of the GDF SUEZ plan

of June 22, 2011. Depending on the country, 3 different arrangements apply to the allocated shares, depending on the vesting period (2 or 4 years) and the presence or not of a lock-in period. The three arrangements lead to different fair values:

Grant date	Vesting date	End of lock-in period	Share price on grant date	Expected dividend rate	Financing	Cost of the restriction on availibiity (lock-in) (€/share)	Market performance condition	Fair value per share
06/22/2011	06/23/2013	06/23/2015	€24.6	6%	5.8%	€(1.2)	no	€20.6
06/22/2011	06/23/2013	06/23/2016	€24.6	6%	5.8%	€(2.5)	no	€19.3
06/22/2011	06/23/2015	-	€24.6	6%	5.8%	-	no	€19.3
Weighted average	ge fair value							€19.9

21.3.3 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 €6.8 million was recognized for the 2008 SUEZ plan.

(Expanse) for the period

21.3.4 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY plans

During the period, an expense of €4.6 million was recognized for the SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme.

			(Expense) for the period			
	Number of shares	Weighted				
	granted	average fair value	2011	2010		
June 2009	2,040,810	9.6	(4.6)	(7.0)		
TOTAL			(4.6)	(7.0)		

SUEZ and GDF SUEZ plans

 $During the period, an expense of {\it \mathfrak{S}} 9.8 \ million \ was \ recognized for the \ SUEZ \ and \ later \ GDF \ SUEZ \ worldwide incentive \ scheme.$

			(Expense) fo	or the period
	Number of shares granted	Weighted average fair value		2010
July 2007	838,684	37.8	(1.9)	(3.5)
June 2008	928,725	39.0	(2.5)	1.7
July 2009	544,216	19.7	(2.5)	(3.8)
June 2011	749,655	19.9	(2.9)	
TOTAL			(9.8)	(5.6)

For the June 2008 plan, the net profit of \leqslant 1.7 million in 2010 included the reversal of a \leqslant 6.8 million expense referred to in the previous section.

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21.4 Employee share issues

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

(Expense) for the period

					•
			Note	2011	2010
SUEZ ENVIRONNEMENT Plan	Share issue and matching				
Sharing 2011	shares in France	December 2011	21.4.1.1	(1.6)	-
SUEZ ENVIRONNEMENT Plan		5		(0.4)	
Sharing 2011	Share Incentive Plan	December 2011	21.4.1.2	(0.1)	-
SUEZ ENVIRONNEMENT Plan	Chara Appropiation Dights	December 2011	21.4.1.4		
Sharing 2011 SUF7 FNVIRONNEMENT Plan	Share Appreciation Rights	December 2011	21.4.1.4	-	-
Sharing 2011	Matching Shares - International	December 2011	21.4.1.3		_
Sharing 2011	Share issue and matching	December 2011	21.1.1.0		
GDF SUEZ Plan Link 2010	shares in France	August 2010	-	-	(7.8)
SUEZ Plan Spring 2007	Matching Shares - International	August 2007	21.4.2.1	(0.3)	(0.3)
GDF SUEZ Plan Link 2010	Matching Shares - International	August 2010	21.4.2.1	(0.2)	(0.1)
GDF SUEZ Plan Link 2010	Share Appreciation Rights	August 2010	21.4.2.2	(0.1)	(0.2)
SUEZ Plan Spring 2007	Share Appreciation Rights	August 2007	21.4.2.2	(0.1)	(0.7)
TOTAL				(2.4)	(9.1)

21.4.1 Sharing 2011

In 2011, SUEZ ENVIRONNEMENT launched its first global employee shareholding plan, called Sharing. This employee share issue program is part of the policy to increase employee shareholding and strengthen the relationship between SUEZ ENVIRONNEMENT and its employees by offering them the possibility of being more closely associated with the Group's growth and performance. Two formulas were offered:

- a "Classic" formula, which includes a discount and employer contribution and in which the subscriber is exposed to movements in the share price. In France, employees benefited from matching shares as part of the company savings plan. Outside France, matching shares took the form of a bonus share allocation. In the United Kingdom, a Share Incentive plan (SIP) was implemented alternatively. It allowed employees to subscribe at the lowest share price between the share price measured on October 3 and the one measured on December 7, 2011 while benefiting from matching shares as well:
- a "Multiple" formula, which allows employees to benefit from a leverage effect to supplement their personal contribution as well as a discounted subscription price. A swap agreement with the bank that structures the plan allows employees to benefit from a guarantee on their personal contribution and a guaranteed

minimum return. In the United States and Sweden, the Multiple plan was adapted to local laws and Share Appreciation Rights were granted as an alternative.

The number of matching shares offered under the Classic plan was calculated as follows:

- for the 15 first shares subscribed, the employer contribution was one free matching share offered for each share subscribed;
- as of the 16th share subscribed, the employer contribution was one free matching share offered for each two shares subscribed;
- the employer contribution is capped at a maximum of 30 matching shares for 45 shares subscribed.

21.4.1.1 Accounting impact of the employee share issue and of the matching shares in france

The subscription price for the plan was defined as the SUEZ ENVIRONNEMENT COMPANY average opening share price on the Eurolist of NYSE Euronext Paris over the 20 trading days preceding the date of the CEO's decision to start the subscription/rejection period, less 20%, which was €9.12.

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Pursuant to IFRS 2, an expense is recognized in the books of SUEZ ENVIRONNEMENT against equity. With respect to discount, the cost of the Classic and Multiple 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 leveraged plan, the opportunity gain implicitly borne by SUEZ ENVIRONNEMENT COMPANY in allowing its employees to benefit from more advantageous pricing than they could obtain as ordinary private investors. The fair value of the matching shares under the employer contribution in France has been calculated using the method described in Note 1 to the consolidated financial statements as of December 31, 2011, Section 1.5.14. In this

case, the shares are delivered immediately with no vesting period, but are subject to a 5-year lock-in period.

The following assumptions were used:

- 5-year risk-free interest rate: 2.00%
- Retail banking spread: 3.70%
- Financing rate for an employee: 5.70%
- Cost of securities lending: 1.0%
- Share price on grant date: €9.10
- Volatility spread: 6.0%

The result is a total expense of €1.6 million for 2011.

		Sharing Classic	Sharing Multiple	Matching Shares in France	Total
Amount subscribed (€ millions)		6.8	81.3	0.0	88.1
Number of shares subscribed (millions)	(a)	0.74	8.91	0.19	9.84
gross value of the employee benefit (€/share)	<i>b</i> 1	2.3	2.3	10.2	
lock-in cost for the employee (€/share)	b2	(2.8)	(2.8)	(2.5)	
measure of opportunity gain (€/share)	<i>b</i> 3	0.0	0.5	0.0	
Total benefit granted to employees (€/share subscribed)	(b) = b1+b2+b3	0.0	(0.0)	7.7	
BOOK EXPENSE	- (a) x (b)	0.0	(0.1)	(1.5)	(1.6)

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

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

	Sharing Classic	Sharing Multiple	Matching Shares in France	Total
Sensitivity (<i>change in expense in € millions</i>)				
Decrease in financing rate for employee -0.5%	0	(2.8)	(0.1)	(2.9)
Increase in opportunity gain +0.5%	0	(0.5)	0	(0.5)

21.4.1.2 Accounting impact of the share incentive plan (SIP) in the United Kingdom

SIP rules required the CEO of SUEZ ENVIRONNEMENT COMPANY to set the subscription price at €9.17 on December 7, 2011. As this price was higher than the SUEZ ENVIRONNEMENT COMPANY share price on the share issue date (€9.10), no expense was recorded. The fair value of the matching shares has been calculated using the method described in Note 1 to the consolidated financial statements as of December 31, 2011, Section 1.5.14. In this case, the shares are delivered immediately with no vesting period, but are subject to a 3-year lock-in period.

The following assumptions were used:

- 3-year risk-free interest rate: 1.58%
- Retail banking spread: 3.70%
- Financing rate for an employee: 5.28%
- Cost of securities lending: 1.0%
- Share price on grant date: €9.10

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The result is a total expense of €0.1 million in 2011.

		SIP	Matching Shares (SIP)	Total
Amount subscribed (€ millions)		0.35	0.10	0.5
Number of shares subscribed (millions)	(a)	0.04	0.01	0.05
gross value of the employee benefit (€/share)	b1	-	9.1	
lock-in cost for the employee (€/share)	b2	-	(2.4)	
measure of opportunity gain (€/share)	b3	-	0.0	
Total benefit granted to employees (€/share subscribed)	(b) = $b1+b2+b3$	-	6.7	
BOOK EXPENSE	- (a) x (b)	-	(0.1)	(0.1)

21.4.1.3 Accounting impact of matching shares outside of France and the United Kingdom

The matching shares internationally (excluding France and the United Kingdom) took the form of a bonus share allocation. Vesting was subject to five years' service within the Group. The fair value of the allocated shares was calculated using the method described in Note 1, Section 1.5.14.

The following assumptions were 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 perfor- mance condition	Fair value per share
08/12/11	08/12/16	-	€10.2	7%	-	-	no	€7.6
Weighted aver	age fair value							€7.6

As the expense is amortized over the vesting period, matching shares internationally had no significant impact on SUEZ ENVIRONNEMENT's profit and loss in 2011.

21.4.1.4 Accounting impact of share appreciation rights

In the United States and Sweden, the Multiple plan takes the form of an alternative mechanism called share appreciation rights (SARs). Employees benefit from a multiplier on the performance of SUEZ

ENVIRONNEMENT COMPANY shares that is paid in cash at the end of a 5-year period. The resulting debt to employees is covered by warrants issued by the bank in charge of structuring the operation.

The accounting impact of the cash-settled share appreciation rights (SARs) involves recognizing an expense against an employee payable over the vesting period of the SARs. As of December 31, 2011, this debt had no material impact on the Group's financial position or income statement. The SARs are covered by warrants that offset the expenses incurred by the SARs at the end of five plan years.

21.4.2 Spring and link plans

SUEZ ENVIRONNEMENT employees benefited from the Spring 2007 plan set up by SUEZ and the Link 2010 plan set up by GDF SUEZ. These two plans allowed employees to subscribe to SUEZ and GDF SUEZ shares in the form of a Classic arrangement with a discount and matching shares and a Multiple arrangement with a discount and leverage effect. These plans are described in detail in the previous

SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

The two plans are amortized over a 5 years period. They generated a book expense of €0.7 million for the Group in 2011.

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21.4.2.1 Accounting impact of matching shares internationally

Outside of France, matching shares took the form of a bonus share allocation. The result was a total expense of €0.5 million in 2011:

(Expense) for the period

	Number of shares granted	Fair value per share	2011	2010
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	(0.2)	(0.1)
TOTAL			(0.5)	(0.4)

21.4.2.2 Accounting impact of share appreciation rights

As of December 31, 2011, the fair value of the debt relating to the SPRING 2007 and LINK 2010 plans was $\ensuremath{\in} 0.7$ million. This fair value

was determined using the Black & Scholes method. The impact of the SARs on 2011 income was an expense of €0.2 million. The SARs are covered by warrants that fully offset the SAR expenses at the end of five years.

NOTE 22 Related-party transactions

The aim of this note is to disclose material transactions between the Group and its related parties.

Compensation for key executives is disclosed under Note 23 – "Executive compensation". The main subsidiaries (fully consolidated

companies) are listed in Note 26 – "List of the main consolidated companies as of December 31, 2011". Only material transactions are described below.

22.1 Transactions with GDF SUEZ and related entities

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Transactions with GDF SUEZ:		
Purchases/sales of goods and services	(10.6)	(19.2)
Non financial payables	13.9	13.9
Non financial receivables	2.2	1.0
Receivables carried at amortized cost (a)	27.1	28.7
Guarantees and commitments given	10.2	14.1
Transactions with companies linked to GDF SUEZ:		
Purchases/sales of goods and services	(7.3)	(18.2)
Financial income	13.8	30.4
Financial expenses	(15.3)	(70.2)
Non financial receivables	31.1	28.2
Non financial payables	2.3	1.9
Borrowings excluding financial instruments	148.2	210.0
Commodity derivatives (Liabilities)	0.0	0.5
Outstanding accrued interest	0.0	0.3
Net cash	8.8	4.1
Guarantees and commitments given	19.5	21.6
Guarantees and commitments received	0.1	0.1

(a) Refer to note 2.2.1 of the Section 20 of the 2009 Reference Document – Synthetic Argentinean contract.

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In 2011, 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, a subsidiary of GDF SUEZ. Reducing outstanding borrowings necessarily means reducing the related financial costs borne by the Group.

The commitments that the Group has given to GDF SUEZ relate to the GDF SUEZ lines of credit contracted by Sita Polska, which is a wholly owned subsidiary of the Group. Moreover, the guarantees given to other related companies correspond to counter-guarantees granted to GDF SUEZ FINANCE as part of guarantees given by the latter to banks lending to Hungariavitz, a Hungarian entity that is proportionately consolidated within the Group.

22.2 Transactions with joint ventures and associates

22.2.1 Joint ventures

In 2011, the main transactions involving joint ventures chiefly corresponded to technical services achieved within Degrémont, specifically concerning:

- The contract to build the Melbourne seawater desalination plant (€5 million - Group's share).
- The contract to build the wastewater treatment plant in Chile (€11 million - Group's share).
- The Mexican BOT contracts (€8 million Group's share).

At the end of December 2011, the Group also held a €288 million loan to SFWD (including €132 million in new loans agreed upon in 2011). SFWD is a company proportionately consolidated at 50%. The non-Group share of €144 million was recognized under assets in the Group's consolidated statement of financial position.

The Group also has a €127 million current account in the joint venture responsible for the construction of the seawater desalination plant near Melbourne. This joint venture is proportionately consolidated at 35%. The non-Group share of €83 million was recognized under assets in the Group's consolidated statement of financial position.

Within Agbar's scope of business, the main transactions with joint ventures in 2011 related to loans for €28 million (Group's share).

22.2.2 Associates

There were no significant transactions or commitments involving associates in 2011 or 2010.

NOTE 23 Executive compensation

The Group's key executives were the eight members of the Management Committee at December 31, 2011 (see Section 14.1.3. of this Reference Document).

Their compensation breaks down as follows:

In millions of euros	Dec. 31, 2011	Dec. 31, 2010
Short-term benefits	5.4	5.1
Post-employment benefit*	0.9	1.0
Share-based payments	1.6	2.3
TOTAL	7.9	8.4

^{*} post-employment benefits relate to the SUEZ ENVIRONNEMENT COMPANY Group plans only.

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NOTE 24 Legal and arbitration proceedings

The litigation and arbitration proceedings presented below are recognized under liabilities or presented for information purposes. Beyond the litigation presented below for information purposes,

the Group has not identified any other material liabilities, and the likelihood of an expenditure within the context of its commitments is considered low.

24.1 Competition and industry concentration

Inspections conducted 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 possible 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, 2010 pursuant to chapter VI of Regulation (EC) 1/2003, the Commission decided to initiate proceedings against SUEZ ENVIRONNEMENT in relation to this incident. Within the context of these proceedings, SUEZ ENVIRONNEMENT COMPANY actively cooperated and communicated information relating to this unfortunate incident with full transparency. Pursuant to the aforementioned regulation, on October 20, 2010 the Commission filed a claim against SUEZ ENVIRONNEMENT COMPANY and its subsidiary Lyonnaise des Eaux, which responded to the claim

on December 8, 2010 without contesting that the seal had been moved accidentally.

Given the immediate and constructive cooperation of SUEZ ENVIRONNEMENT COMPANY and its subsidiary, the Commission decided to set the penalty for breaking the seal at €8 million and notified the companies of this on May 24, 2011. This decision was not appealed.

On January 13, 2012, the European Commission sent notice to SUEZ ENVIRONNEMENT of its decision to launch a formal inquiry to determine whether the companies Saur, SUEZ ENVIRONNEMENT, Veolia Environnement and the *Fédération Professionnelle des Entreprises de l'Eau* (French professional federation of water companies) engaged in anti-competitive practices affecting contracts for the delegated management of water and wastewater services in France.

The launch of this inquiry in no way prejudges the outcome of the investigation.

24.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €211.3 million as of December 31, 2011 (excluding litigation 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 that are now being challenged by the local authority.

LMCU and SEN disagree over the challenging of these amendments. In order to resolve this longstanding technical issue, LMCU and SEN decided at the end of 2009 to submit the dispute to an independent arbitration commission, as provided in the contract. This commission was chaired by Mr. Michel Camdessus, former managing director of the International Monetary Fund, who 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 payment command against SEN that was issued on July 29, 2010.

Two appeals, calling for the annulment of the June 25 deliberations and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6, 2010 by SEN and Lyonnaise des Eaux (in the latter's capacity as SEN shareholder).

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At the time of this Reference Document's preparation, the parties continue to exchange supporting documentation and no date has yet been set for the hearing.

Litigations in argentina

In Argentina, tariffs applicable to public-service 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 in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean 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 Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006, and 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, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its shareholders' meeting on 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 Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

For the record, SUEZ and SUEZ ENVIRONNEMENT – prior to both the SUEZ-Gaz de France merger and the listing of SUEZ ENVIRONNEMENT COMPANY on the stock exchange - 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 Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.

The expert should render their conclusions in 2012.

United Water (New York State, United States)

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

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

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

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents.

The claim for punitive damages was definitively dismissed on May 31, 2011, and a ruling on the substance of the case is not expected before the first half of 2012.

This claim has been reported to the insurance companies.

United Water (Indiana, United States)

On April 10, 1998, United Water Services Inc. and the Gary Sanitary District entered into a 10-year contract for the operation and maintenance of a wastewater treatment plant. This contract was renewed for a further five 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 concluding the proceedings. In the fall 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 on the substance of the case is not expected before the first half of 2012.

On June 9, 2011, the Utility Workers Union of America and Food & Water Watch filed a claim against United Water citing the Guidelines for Multinational Enterprises adopted by the Organization for Economic Co-operation and Development (OECD). The claim was submitted as part of a renegotiation of the pension scheme operated by United Water. Considering this claim to be unfounded, United Water rejected it on October 27, 2011.

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 unable to decide on a technical solution or achieve an agreement among the various parties. A settlement agreement on May 23, 2011 between the residents and the city of Casey ended the class action, and the city was subrogated to the rights of the residents.

The case should be reviewed by the Supreme Court of the State of Victoria during the first half of 2012.

This claim has been reported to the insurance companies.

Degrémont (Melbourne)

In July 2009, SUEZ ENVIRONNEMENT, in conjunction with its subsidiary Degrémont under a special purpose entity called Aquasure, was awarded the project for a seawater desalination plant by the State of Victoria. This 30-year contract covers the financing, designing, building and operation of the plant. The plant consists of three production lines with a total capacity of 450,000 m³ of drinking water per day to meet approximately one-third of Greater Melbourne's water needs.

Aquasure, a vehicle specially created for the project and owned by multiple funds and investors (including SUEZ ENVIRONNEMENT, which holds a 21% interest), is signatory to the agreements with the State of Victoria. Aquasure then allocated the contract for the design and build stages of the plant to a joint venture consisting of Thiess (65% – Leighton Group, the leading Australian civil-engineering group) and Degrémont (35%). The operating stage was allocated to a joint venture between Degrémont (60%) and Thiess (40%).

The contractual timeline provides for the progressive commissioning of desalination as of December 19, 2011 and the final delivery of the plant on June 30, 2012.

Construction work began in September 2009. However, site progress was constantly and significantly impacted by (i) major weather events and (ii) particularly acute union action (persistent social unrest and low productivity).

The impact of the above events on the contractual timeline should push back the projected dates for commissioning and final delivery by several months. Consequently, SUEZ ENVIRONNEMENT has recognized an expense in its financial statements for 2011, as detailed in Note 2 of the Consolidated financial statements as of December 31, 2011.

Degrémont and its partner Thiess consider that the delay to the contractual timeline and the resulting financial consequences are only partially attributable to themselves, and they are determined to exert their rights to obtain an extension to the timeline as well as financial compensation.

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Accordingly, a number of claims have already been filed, covering, in particular, requests to extend the timelines to reflect days lost due to extreme weather events and a request for compensation for additional costs involved due to industrial-relations problems.

All the teams are mobilized to complete the site work as quickly as possible.

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 (prorogable) between Aquasure and the Thiess-Degrémont construction joint venture. The purpose of the moratorium is to analyze the claims filed by the joint venture.

SUEZ ENVIRONNEMENT estimates that the current risk presented by the project is correctly provisioned in its financial statements.

24.3 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 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of €28 million in addition to penalties of €12 million. Agbar also received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of €41 million in addition to penalties of €25 million. In May 2009, Agbar was also notified of a reassessment in the amount of €60.5 million for the 2002-2004 fiscal years, without additional penalties.

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

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997.

However, as the Supreme Court dismissed the appeal by the Spanish government with respect to 1996 and 1997, Agbar is entitled to request the repayment of approximately €4 million in taxes wrongly levied as well as the corresponding late penalties. The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million

Moreover, in May 2008 the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, the Court of Appeals held in favor of Agbar in the amount of €20 million, thereby reducing the initial claim from €41 million to €21 million. Agbar subsequently filed an appeal with the Supreme Court to recover the remaining €21 million. The Spanish government also appealed the ruling in favor of Agbar.

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

Lyonnaise des Eaux and its subsidiaries

In 2011, Lyonnaise des Eaux France and its subsidiaries finally concluded a dispute with the French tax authorities over business tax ("taxe professionnelle") and the method used to value equipment and furniture belonging to local authorities and financed by the delegated operator.

NOTE 25 Subsequent events

Sale of Eurawasser

As indicated in Note 2 " Major transactions", SUEZ ENVIRONNEMENT signed on December 8, 2011 an agreement to sell its German subsidiary Eurawasser to the Remondis Group. As of December 31, 2011, the operation was subject to approval by the relevant competition authorities.

At the date of publication of this document, both the German and Austrian authorities have approved the transaction. This sale will be recorded in the 2012 financial statements of SUEZ ENVIRONNEMENT.

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NOTE 26 List of the main consolidated companies at December 31, 2011 and 2010

The aim of this note is to present the list of entities covering 80% of the following indicators: Revenues, EBITDA, Net Debt and capital employed.

		% interest		% cor	ntrol	Consolidati methods		
Names	Headquarters address	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	
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	300, rue Paul Vaillant Couturier – BP 712 92007 Nanterre – France	100.0	100.0	100.0	100.0	FC	FC	
EAUX DU NORD	217, boulevard de la Liberté BP 329 59020 Lille – France	99.1	99.1	99.1	99.1	FC	FC	
SOCIETE DES EAUX DE VERSAILLES ET DE SAINT-CLOUD (SEVESC)	5-7 Rue Pierre Lescot – 78000 Versailles – France	100.0	100.0	100.0	100.0	FC	FC	
HISUSA	Torre Agbar – Av.Diagonal, 211 08018 Barcelona – Spain	75.7	67.1	75.7	67.1	FC	FC	
AGBAR	Torre Agbar – Av.Diagonal, 211 08018 Barcelona – Spain	75.4	75.2	99.5	99.0	FC	FC	
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398, Piso – 4, Santiago – Chile	21.4	21.3	50.1	50.1	FC	FC	
EURAWASSER	Knesebeck-Strasse 1, 10623 Berlin – Germany	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 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	
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	

Consolidated financial statements

		% interest %		% cor	% control		dation ods
Names	Headquarters address	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010
	INTERNATIONAL	2011	2010	2011	2010	2011	2010
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
UTILITY SERVICES CO, Inc	P.O. Box 1350 – 535 Courtney Hodges Blvd. – Perry, Georgia 31069 – 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	Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense Cedex – France	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
LYDEC	48, Boulevard Mohamed Diouri, 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	UI. 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

Consolidated financial statements

NOTE 27 Fees of the statutory auditors and members of their networks

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

	Ernst & Young			Mazars				
_	Amo	unt	%		Amou	unt	%	,
In thousands of euros	2011	2010	2011	2010	2011	2010	2011	2010
Audit								
Statutory Audits, Attest engagements,								
review of individual and consolidated accounts								
SUEZ ENVIRONNEMENT COMPANY SA	694	712	7.4%	7.9%	630	669	16.5%	18.4%
Fully and proportionately consolidated subsidiaries	6,967	6,806	74.3%	75.1%	2,952	2,722	77.0%	74.8%
Other audit procedures and incidental assigments in relation to Auditor's engagement to the Statutory Auditor's mission								
SUEZ ENVIRONNEMENT COMPANY SA	161	175	1.7%	1.9%		43	0.0%	1.2%
Fully and proportionately consolidated subsidiaries	1,363	1,086	14.5%	12.0%	90	205	2.3%	5.6%
Sub-total	9,185	8,779	97.9%	96.9%	3,672	3,639	95.8%	100.0%
Other services								
Tax	198	253	2.1%	2.8%	17	1	0.5%	0.0%
Other	3	30	0.0%	0.3%	143	0	3.7%	0.0%
Sub-total	201	283	2.1%	3.1%	160	1	4.2%	0.0%
TOTAL (1)	9,386	9,062	100%	100%	3,832	3,640	100%	100%

⁽¹⁾ The amounts relating to the entities consolidated proportionately, which largely involved tasks assigned to the statutory auditors, totaled €143,000 in 2011 (€124,000 in 2010). These fees were paid in full to Ernst & Young.

Statutory auditor's report on the consolidated financial statements



20.2 STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders.

In compliance with the assignment entrusted to us by your annual General Meetings, we hereby report to you, for the year ended December 31, 2011, 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.

Opinion on the consolidated financial statements Ι.

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, 2011 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 notes 1.2.1 and 1.2.2 to the consolidated financial statements, which outline the impact from January 1, 2011 of new or anticipated standards, amendments and interpretations applied by the SUEZ ENVIRONNEMENT COMPANY group.

П. Justification of our assessments

The accounting estimates have been prepared in a context of high volatility of the markets and of financial crisis in the euro zone whose consequences make difficult to forecast economical mid-term perspectives. In this context, described in note 1.4 to the consolidated financial statements, and 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 have made our own assessments and 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 fair valuation of assets acquired and liabilities assumed within a business combination, the measurement of the recoverable amount of goodwill, property,
- plant and equipment and intangible assets, provisions, capital renewal and replacement liabilities, financial instruments, revenues generated but not metered (as in "meters not read"), margin at completion on construction contracts and the assessment of the tax loss carry-forwards recognized as deferred tax assets.
- 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.
- In respect of the recoverable amount of goodwill, property, plant and equipment and intangible 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.

Statutory auditor's report on the consolidated financial statements

- · 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 15, 16 and 24 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 20 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 12 and 13 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 margin at completion on construction contracts, our work consisted in examining the relating processes implemented by the group, assessing the data and assumptions on which are based the estimates made and verifying that notes 1, 2, 17 and 24 to the consolidated financial statements provide 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 carryforwards. 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 Paris-La Défense, February 8, 2012

The statutory auditors French original signed by

MA7ARS FRNST & YOUNG et Autres

Isahelle Massa Charles-Emmanuel Chosson Pascal Macince Thierry Blanchetier

Parent Company financial statements



20.3 PARENT COMPANY FINANCIAL STATEMENTS

20.3.1 Balance sheet assets

			D	DECEMBER 31, 2010		
In thousands of euros		Note	Gross	Amortization and depreciation	Net	Net
NON CURRENT ASSETS						
Equity investments			6,157 390.3		6,157,390.3	6,157,390.3
Receivables related to equity investments		Note 2	5,211,605.1		5,211,605.1	412,534.7
Other financial assets		Note 2	1,480.8		1,480.8	24,668.4
Financial assets		Note 1	11,370,476.2	-	11,370,476.2	6,594,593.4
NON CURRENT ASSETS	I		11,370,476.2	-	11,370,476.2	6,594,593.4
CURRENT ASSETS						
Advances and downpayments on orders		Note 2	13.6	-	13.6	26.2
Trade and related receivables			22.1		22.1	7,048.9
Other receivables			116,909.2		116,909.2	83,274.1
Current accounts of subsidiaries			236,992.7		236,992.7	4,545,259.0
Accrued income from cash instruments			57,481.5		57,481.5	68,883.7
Receivables		Note 2	411,405.5	-	411,405.5	4,704,465.7
Cash and cash equivalents			646,335.8		646,335.8	37.2
Marketable securities		Note 3	141,859.5	(6,257.2)	135,602.4	241,800.4
Cash, cash equivalents & short-term securities			788,195.3	(6,257.2)	781,938.2	241,837.5
Accruals		Note 4	46,978.1		46,978.1	27,055.4
Bond redemption premiums			15,907.5		15,907.5	13,432.8
CURRENT ASSETS	II		1,262,500.1	(6,257.2)	1,256,242.9	4,986,817.6
UNREALIZED FOREIGN EXCHANGE LOSSES	III	Note 9	8,663.7		8,663.7	2,979.2
TOTAL ASSETS	(+ +)		12,641,640.0	(6,257.2)	12,635,382.8	11,584,390.1

Parent Company financial statements

20.3.2 Balance sheet liabilities

In thousands of euros		Note	December 31, 2011	December 31, 2010
SHAREHOLDERS' EQUITY				
Share capital			2,040,935.3	1,958,796.2
Additional paid-in capital			4,147,187.4	4,002,949.5
Legal reserve			204,093.5	195,879.6
Other reserves			2,684.8	877.5
Retained earnings			173,688.2	40,464.8
Net income for the period			312,176.8	451,527.8
Shareholders' equity	1	Note 5	6,880,766.1	6,650,495.4
PROVISIONS FOR CONTINGENCIES AND LOSSES				
Provisions for contingencies			8,663.7	2,979.2
Provisions for losses			16,093.9	21,477.1
Provisions for contingencies and losses	II	Note 6	24,757.6	24,456.3
DEBT & PAYABLES				
Bonds			4,434,230.0	3,614,089.6
Bank borrowings			416,750.5	414,594.5
Undated deeply subordinated notes			759,840.8	759,941.3
Current accounts and borrowings from subsidiaries			79,619.1	86,038.8
Financial Debt		Notes 7 & 8	5,690,440.4	4,874,664.1
Trade and related payables			5,843.1	11,767.8
Tax and employee related payables			597.4	268.3
Accrued expenses on cash instruments			15,944.3	17,029.6
Others			770.8	971.8
Operating payables		Note 8	23,155.7	30,037.4
DEBT & PAYABLES	III		5,713,596.1	4,904,701.6
Deferred Income	IV	Note 4	8,040.0	4,736.9
Unrealized Foreign Exchange Gains	V	Note 9	8,223.1	-
TOTAL LIABILITIES	(I +II+III+IV+V)		12,635,382.8	11,584,390.1

Parent Company financial statements

20.3.3 Income statement

In thousands of euros		Note	December 31, 2011	December 31, 2010
Other revenue		Note 10	4,356.9	6,560.1
Net revenue			4,356.9	6,560.1
Reversal of provisions for stock options and bonus shares		Note 11	9,485.7	
Reversals of depreciation, provisions and transferred expenses		Note 11	32,406.5	19,363.0
Others			3.2	
Operating income			46,252.3	25,923.0
Other purchases and external expenses			(29,222.7)	(39,992.6)
Taxes and similar			(4,790.8)	(3,121.3)
Wages and salaries			(1,680.9)	(1,549.2)
Payroll taxes			(816.0)	(390.2)
Allocation to provisions for stock options and bonus shares		Note 6	(3,456.0)	(12,548.2)
Allocation to provisions			(8,470.4)	(5,249.2)
Others			(448.9)	(449.6)
Operating expenses			(48,885.7)	(63,300.3)
NET OPERATING INCOME	1		(2,633.4)	(37,377.2)
Allocated profit or transferred loss	II			
Financial income from equity investments			230,870.1	512,112.0
Other financial income			213,196.7	2,697.9
Other interest and similar income			119,269.5	134,547.1
Gain on disposal of marketable securities			346.0	2,777.7
Reversals of provisions and transferred expenses			2,979.2	
Foreign exchange gains			7,845.9	4,473.1
Financial income			574,507.4	656,607.7
Interest and similar expense			(324,621.8)	(244,361.2)
Allocation to amortization and provisions			(16,375.5)	(4,443.1)
Foreign exchange losses			(10,532.1)	(1,487.6)
Financial expenses			(351,529.4)	(250,291.9)
NET FINANCIAL INCOME	III	Note 12	222,978.0	406,315.8
CURRENT INCOME BEFORE TAX	V= + +		220,344.6	368,938.6
Non-recurring gains from operations				1.1
Non-recurring gains from financial transactions			1,667.5	2,007.0
Reversals of provisions and transferred expenses			260.8	
Non-recurring gains			1,928.4	2,008.0
Non-recurring expenses from operations			(13.4)	
Non-recurring expenses from financial transactions			(19,564.8)	(4,251.1)
Non-recurring expenses			(19,578.2)	(4,251.1)
NON-RECURRING PROFIT (LOSS)	V	Note 13	(17,649.8)	(2,243.1)
INCOME TAX EXPENSE	VI	Note 14	109,482.1	84,832.2
NET INCOME	IV+V+VI		312,176.8	451,527.8

20.3.4 Cash-flow statement

In thousands of euros	December 31, 2011	December 31, 2010
Net income	312,176.8	451,527.8
Net depreciation, amortization and provisions	301.3	17,151.0
Gross cash flow	312,478.1	468,678.7
Change in working capital requirements	(28,486.4)	(17,865.0)
Net cash flow generated from operating activities	283,991.7	450,813.8
Change in receivables related to equity investments	(4,788,286.7)	(58,296.0)
Change in other financial assets	23,127.8	15,052.5
Net cash flow generated from investing activities	(4,765,158.9)	(43,243.5)
Dividends paid	(318,304.4)	(317,426.9)
Increase in share capital	82,139.1	
Increase in capital premiums and reserves	157,003.8	
Purchase of treasury shares	(100,028.6)	(30,890.1)
Change in current accounts	4,308,266.3	(3,039,367.2)
Bond issues	802,380.1	500,000.0
Undated deeply subordinated notes issue		750,000.0
Change in other financial debt	(111,840.2)	111,840.2
Purchase/sale of marketable securities	206,226.6	743,799.4
Accrued interest and premiums	(12,881.4)	(2,562.4)
Net cash flow generated from financing activities	5,012,961.4	(1,284,607.1)
NET CHANGE IN CASH POSITIONS	531,794.2	(877,036.8)
Net cash at begining of period	(302,022.6)	575,014.2
Net cash at end of period	229,771.6	(302,022.6)

The change in 2011 for receivables related to equity investments corresponds to SUEZ ENVIRONNEMENT SAS financing to fund its subsidiaries.

20.3.5 Significant events in the year

20.3.5.1 Bond issues

On May 5, 2011, SUEZ ENVIRONNEMENT COMPANY launched combined exchange and tender offers, relating to its bond maturing in 2014, issued in 2009 and bearing a fixed coupon of 4.875%. The purpose of this operation was not only to refinance part of the tranche maturing in 2014, but also to extend the Group's average debt maturity.

This operation was finalized on May 17, 2011. As a result of the process, €338 million in 2014 bonds was redeemed and exchanged as part of the issue of a 10-year bond for a total of €500 million, bearing a fixed coupon of 4.078%.

This tranche for a total of €500 million, bearing a fixed coupon of 4.078%, was further extended on September 14, 2011 with a new issue of €250 million.

In October 2011, SUEZ ENVIRONNEMENT COMPANY completed a seven-year private placement of €100 million bearing a coupon of 3.08%.

In December 2011, SUEZ ENVIRONNEMENT COMPANY also launched an inaugural issue in pounds sterling (GBP) for an amount of €250 million, bearing a coupon of 5.375% maturing in November 2030.

20.3.5.2 Changes in capital

As a result of the option for a scrip dividend, which was approved by the General Meeting of May 19, 2011, 19,008,731 shares were created, representing a 3.9% capital increase. As a result of this operation, the Company's share capital increased from $\[\in \]$ 1,958,796,240 to $\[\in \]$ 2,034,831,164 divided into 508,707,791 shares, each with a nominal value of $\[\in \]$ 4.

On December 8, 2011, the Board of Directors decided to cancel 8,370,000 treasury shares, reducing the Company's share capital from \leq 2,034,831,164 to \leq 2,001,351,164, each share with a nominal value of \leq 4.

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Parent Company financial statements

20.3.5.3 Employee share issue - SHARING

In September 2011, SUEZ ENVIRONNEMENT launched SHARING, its first share subscription offer reserved for 76,000 employees in 19 countries. This offer aims to develop employee shareholding within the Group. The operation was completed on December 8, 2011 with the creation of 9,896,038 new shares. The Company's share capital was accordingly increased from €2,001,351,164 to €2,040,935,316 divided into 510,233,829 shares, each with a nominal value of €4.

20.3.6 Accounting principles and policies

The 2011 Parent Company financial statements are drawn up in euros in accordance with the General Accounting Standards set out in the Plan Comptable Général (PCG) 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 PCG, SUEZ ENVIRONNEMENT COMPANY (SEC) considers that this classification, which diverges from the PCG, 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 disposals.

The fiscal year spans a 12-month period from January 1 to December 31, 2011.

The SUEZ ENVIRONNEMENT COMPANY financial statements are fully consolidated within the consolidated financial statements of the GDF SUEZ Group (1 & 2, Place Samuel de Champlain, 92930 Paris La Défense Cedex, France).

FINANCIAL ASSETS

Equity investments

Equity investments represent long-term investments that provide the Company with control or significant influence over the issuer or that help it to establish business relations with the issuer.

New investments are recognized at their acquisition cost plus directly-related incidental external 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 that 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 that 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 established 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, for cancellation or trading purposes are recognized under financial assets.

Shares acquired as part of buy-back programs or a 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.

⁽¹⁾ SUEZ ENVIRONNEMENT COMPANY has signed a liquidity contract with an investment services provider. The provider's contractual role is to intervene in the market on a daily basis, buying and selling SUEZ ENVIRONNEMENT COMPANY shares, in order to maintain liquidity and to stimulate the market for Company shares on the Paris stock exchange. The amounts paid to this provider are recognized under "Other financial assets.

Parent Company financial statements

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, 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.

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 until 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 the share price exceeds the strike price at the end of the reporting period. 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.

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, the 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, 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 rule CRC 2008-15 of December 4, 2008, issued by the Comité de Réglementation Comptable, 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 has an impact on 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 regarding pensions, early retirement payments, retirement bonuses and other plans are assessed on an actuarial basis using mortality and employee turnover assumptions, salary projections and a discount rate based on the investment-grade corporate bond yield at the measurement date.

Parent Company financial statements

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 risks that may not materialize as an asset impairment.

BORROWINGS AND DEBT

Bond issue premiums and costs

Bond issues that include a premium are recognized as 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 outstanding difference is recorded under deferred income and is recognized in income over the life of the bond.

In accordance with the Conseil National de la Comptabilité recommendation, bond issuance costs are amortized on a straight-line basis over the lifetime of the bond. Issuance costs mainly include brokers' commissions.

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. Accordingly, unrealized capital losses at year-end on financial instruments held by SUEZ ENVIRONNEMENT COMPANY for hedging purposes and shown as off-balance-sheet commitments are not provisioned.

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 CONSOLIDATION

As of the fiscal year ended December 31, 2011, the new provisions of the second remedial Finance Law cap the use of tax losses at 60% of taxable income above €1 million for all French companies. An additional exceptional taxation of 5% has been created for entities with revenues greater than €250 million.

Parent Company financial statements

20.3.7 Notes to the financial statements

NOTE 1 Financial assets

Changes in gross value break down as follows:

In thousands of euros	Dec. 31,2010	Increase	Decrease	Dec. 31,2011
Consolidated equity investments ⁽¹⁾	6,157,390.3			6,157,390.3
Equity investments	6,157,390.3	-		6,157,390.3
Receivables related to equity investments ⁽²⁾	412,534.7	4,914,165.8	(115,095.4)	5,211,605.1
Other financial assets(3)	24,668.4	183,174.2	(206,361.8)	1,480.8
Other financial assets	437,203.1	5,097,340.0	(321,457.2)	5,213,085.9
FINANCIAL ASSETS	6,594,593.4	5,097,340.0	(321,457.2)	11,370,476.2

⁽¹⁾ Consolidated equity investments only include SUEZ ENVIRONNEMENT SAS shares.

NOTE 2 Maturity of receivables

In thousands of euros	Gross amount as of Dec. 31, 2011	< 1year	> 1year
Receivables related to equity investments	5,211,605.1	-	5,211,605.1
Other financial assets	1,480.8	1,480.8	
Non-current assets	5,213,085.9	1,480.8	5,211,605.1
Advances and downpayments on orders	13.6	13.6	
Trade and related receivables	22.1	22.1	
Other receivables	116,909.2	116,909.2	
Current accounts of subsidiaries	236,992.7	236,992.7	
Accrued income from cash instruments	57,481.5	57,481.5	
Current assets	411,419.1	411,419.1	-
RECEIVABLES	5,624,505.1	412,899.9	5,211,605.1

[&]quot;Other receivables" mainly include the amount that the Government owes the Company in respect of the gain from tax consolidation, which benefits SUEZ ENVIRONNEMENT COMPANY as the Parent Company of the tax consolidation group (€108.7 million).

⁽²⁾ At year-end, all receivables related to equity investments concern SUEZ ENVIRONNEMENT SAS.

⁽³⁾ This amount corresponds to sums paid to the investment services provider under the liquidity contract.

Parent Company financial statements

NOTE 3 Marketable securities

This item breaks down as follows:

In thousands of euros	Position as of Dec. 31, 2011	
Treasury shares held for stock option and bonus share plans	8,148.7	33,583.5
Treasury shares held for market purposes (liquidity contract)	33,696.4	2,060.0
Mutual funds		206,226.6
Certificates of deposit	100,014.4	
Gross amount	141,859.5	241,870.1
Provision for depreciation of treasury shares held for market purposes (liquidity contract)	(6,257.2)	(69.7)
Provisions for depreciation	(6,257.2)	(69.7)
Net book value	135,602.4	241,800.4

The Group uses derivative instruments ("call options") to hedge the SUEZ ENVIRONNEMENT COMPANY stock option plans.

In 2010, 1,833,348 SUEZ ENVIRONNEMENT COMPANY shares were acquired for €5.4 million to hedge the stock option plans. No additional acquisitions were made in 2011.

These call options in the amount of €28.4 million are exercisable at any time before the end of 2012.

In 2011, all mutual funds were sold and deposit certificate subscribed.

NOTE 4 Deferred expenses, deferred income, and accruals

Accruals break down as follows:

In thousands of euros	Dec. 31,2010	Increase	Decrease	Dec. 31,2011
Issuance costs	14,713.0	23,981.9	(3,970.4)	34,724.6
Credit facility set-up fees	8,140.0	3,755.0	(2,553.5)	9,341.5
Prepaid expenses	4,202.4		(1,290.3)	2,912.1
Deferred expenses	27,055.4	27,736.9	(7,814.2)	46,978.1

Issuance costs increased in 2011 as the result of a combined tender and exchange offers on the 2014 tranche, the private placement and the inaugural bond issue in GBP (see "Significant events for the year").

Credit facility set-up fees increased as a result of renegotiating the syndicated loan.

In thousands of euros	Dec. 31,2010	Increase	Decrease	Dec. 31,2011
Deferred income	4,736.9	5,395.6	(2,092.5)	8,040.0
Deferred income	4,736.9	5,395.6	(2,092.5)	8,040.0

Deferred income relates to the issuance premium on additional facilities maturing in 2021, agreed in September 2011, and to the early settlement of derivatives balances.

Parent Company financial statements

Accrued expenses and accrued income associated with receivables and payables can be analyzed as follows:

In thousands of euros	Dec. 31, 2011	Dec. 31, 2010
Interest on bonds issued	123,186.3	114,089.6
Interest on bank borrowings and debt		30.0
Interest on other borrowings and short-term debt	10,432.0	10,187.3
Trade debt invoices not received	5,274.8	5,151.1
Tax and employee related payables	475.1	268.3
Cash instruments	15,944.3	17,029.6
Others	770.8	971.8
Accrued expenses	156,083.3	147,727.7

In thousands of euros	Dec. 31, 2011	Dec. 31, 2010
Interest on receivables related to equity investments	2,368.7	276.0
Invoices to be issued	20.6	-
Interest on current accounts with subsidiaries	637.4	-
Cash instruments	57,481.5	68,883.7
Accrued income	60,508.1	69,159.7

NOTE 5 Shareholders' equity

 $Share holders'\ equity\ is\ fully\ paid-up,\ and\ each\ share\ confers\ one\ vote.$

In thousands of euros	Dec. 31, 2010	Increase/Reduction	Purchase/Sale	Dec. 31, 2011
Outstanding shares	487,534,568	28,904,769	(9,500,229)	506,939,108
Treasury shares	2,164,492	(8,370,000)	9,500,229	3,294,721
	489,699,060	20,534,769	-	510,233,829

Changes in the number of shares during fiscal year 2011 are due to:

- the scrip dividend option in 2010, which led to the creation of 19,008,731 new shares.
- the Board of Directors' decision of December 8, 2011 to cancel 8,370,000 treasury shares.
- an employee share issue as part of the SHARING global employee shareholding plan: in total, 9,896,038 shares were issued.

As of December 31, 2011, SUEZ ENVIRONNEMENT COMPANY held 3,294,721 shares, which include:

- 219,721 shares acquired as part of the bonus share plan in the amount of €2.7 million, the market value of which as of December 31, 2011 was €1.9 million.
- 3,075,000 shares held under the terms of the liquidity contract, with an acquisition value of €33.7 million, had a market value of €27.5 million as of December 31, 2011 and were consequently impaired by €6.2 million at year-end (see Note 3).

Parent Company financial statements

Changes in shareholders' equity were as follows:

		Issue, contribution				Net Income	
In thousands of euros	Share capital	& merger premiums	Legal reserve	Other reserves	Retained earnings	for the period	Total
Balance as of Dec. 31, 2010	1,958,796.2	4,002,949.5	195,879.6	877.5	40,464.8	451,527.8	6,650,495.4
2010 net income allocation					451,527.8	(451,527.8)	-
Dividend distributed for fiscal year 2010					(318,304.4)		(318,304.4)
Net income for the fiscal year 2011						312,176.8	312,176.8
Capital increase due to the scrip dividend	76,034.9	171,648.8		1,807.3			249,491.1
Employee share issues (Sharing 2011)	39,584.2	37,946.5	8,213.9				85,744.6
Capital reduction	(33,480.0)	(65,357.4)					(98,837.4)
Balance as of Dec. 31, 2011 before Income allocation	2,040,935.3	4,147,187.4	204,093.5	2,684.8	173,688.2	312,176.8	6,880,766.1

As ratified by the General Meeting of May 19, 2011, SUEZ ENVIRONNEMENT COMPANY offered its shareholders the option for a scrip dividend. This option was taken up by 78.4% of shareholders.

Share allocations under the various SUEZ ENVIRONNEMENT COMPANY share plans changed as follows over the fiscal year:

2,920,500 6,336,390

	Stock option plans			
Number of options	Plan of December 17, 2009	Plan of December 16, 2010	TOTAL	
Rights not exercised as at January 1, 2011	3,434,448	2,944,200	6,378,648	
Cancelled/expired	(18,558)	(23,700)	(42,258)	

3,415,890

There was no new stock option plan in 2011.

Rights not exercised as of December 31, 2011

	Allocation of bonus Shares					
	financial Performance shares contribution to		Employer contribution to Sharing ⁽¹⁾			
Number of shares	June 2009	December 2009	December 2010	December 2011	Total	
Allocated shares not delivered as of January 1, 2011	2,040,420	173,852	829,080		3,043,352	
Allocated				101,211	101,211	
Delivered	(942,660)				(942,660)	
Allocated shares not delivered as at December 31, 2011	1,097,760	173,852	829,080	101,211	2,201,903	

⁽¹⁾ Employer's contribution paid to foreign employees (outside France and the United Kingdom).

Over the course of the year, SUEZ ENVIRONNEMENT COMPANY bought 7,500,614 shares for €86.6 million. As of December 31, 2011, the number of shares allocated to cover its bonus share obligations was 219,721.

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 8,538,293 shares.

Parent Company financial statements

NOTE 6 Provisions

In thousands of euros	Dec. 31,2010	Allocation	Reversals (utilizations)	Dec. 31, 2011
Provision for foreign exchange losses	2,979.2	8,663.7	(2,979.2)	8,663.7
Employee-related provisions	21,477.1	5,402.5	(10,785.7)	16,093.9
Pension provisions and similar	1,621.0	855.0		2,476.0
Provisions for bonus share plans and stock option plans	18,556.1	3,456.0	(9,485.7)	12,526.4
Other provisions	1,300.0	1,091.5	(1,300.0)	1,091.5
Total	24,456.3	14,066.2	(13,764.9)	24,757.6
Posted to income statement:				
Operating income		5,402.5	(10,785.7)	
Financial income		8,663.7	(2,979.2)	
Total		14,066.2	(13,764.9)	

The change in provisions for pensions and similar is explained in Note 16.

NOTE 7 Borrowings and debt

In thousands of euros	Position as of Dec. 31, 2011	Position as of Dec. 31, 2010
Bonds (nominal amount)	4,311,043.8	3,500,000.0
Bank borrowings and debt (nominal amount)	415,928.6	412,258.7
Undated deeply subordinated note (nominal amount)	750,000.0	750,000.0
Current accounts and borrowings from subsidiaries	79,619.1	86,038.8
Borrowings	5,556,591.4	4,748,297.5
Accrued interests	133,618.3	124,306.9
Bank overdrafts	230.8	2,059.8
Other financial debt	133,849.1	126,366.6
Total financial debt	5,690,440.4	4,874,664.1

The change in borrowings and debt is due to:

- the combined bond tender and exchange offers in the amount of €500 million;
- the extension of this tranche with a new issue of €250 million;
- a €100 million private placement;
- the inaugural £250 million bond issue.

Parent Company financial statements

NOTE 8 Maturity of debts and payables

In thousands of euros	Gross amount as of Dec. 31, 2011	In 2012	Maturity between From 2013 to end-2016	In 2017 and beyond
Bonds	4,311,043.8	-	961,750.0	3,349,293.8
Bank borrowings and debts	415,928.6	415,928.6		
Undated deeply subordinated note	750,000.0			750,000.0
Current accounts and borrowings from subsidiaries	79,619.1	79,619.1		
Other financial debt	133,849.1	133,849.1		
Financial debt	5,690,440.4	629,396.7	961,750.0	4,099,293.8
Trade and related payables	5,843.1	5,843.1		
Tax and employee related payables	597.4	597.4		
Accrued expenses on cash instruments	15,944.3	15,944.3		
Other	770.8	770.8		
Others	16,715.1	16,715.1	-	-
Total	5,713,596.1	652,552.4	961,750.0	4,099,293.8

Breakdown of bond issues:

	Dec. 31, 2011	Issue date	Maturity date	Rate
Public placements				
In thousands of euros	961,750.0	8-Apr-09	8-Apr-14	4.88%
In thousands of euros	800,000.0	8-Apr-09	8-Apr-19	6.25%
In thousands of euros	500,000.0	22-Jul-09	22-Jul-24	5.50%
In thousands of euros	500,000.0	24-Jun-10	24-Jun-22	4.13%
In thousands of euros	750,000.0	17-May-11	17-May-21	4.08%
In thousands of euros ⁽¹⁾	299,293.8	2-Dec-11	2-Dec-30	5.38%
Private placements				
In thousands of euros	250,000.0	8-Jun-09	8-Jun-17	5.20%
In thousands of euros	150,000.0	12-Oct-09	12-Oct-17	4.50%
In thousands of euros	100,000.0	22-Nov-11	22-Nov-18	3.08%
Total	4,311,043.8			
Undated deeply subordinated note	750,000.0	17-Sep-10	Undated	4.82%

⁽¹⁾ or £250 million.

Parent Company financial statements

NOTE 9 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 and payables denominated in foreign currencies at the exchange rate prevailing on December 31, 2011:

In thousands of euros	Unrealized loss	Unrealized gain
Unrealized foreign exchange gains and losses on:		
- Receivables related to equity investments		8,223.1
- Bonds	8,663.7	
Total	8,663.7	8,223.1

The total currency impact as of December 31, 2011, measured in accordance with the above-cited accounting principles, was an unrealized loss of €8.7 million mainly relating to the pound sterling.

This unrealized loss has been fully accrued for.

NOTE 10 Revenues

Revenues of €4,356,925.82 correspond mainly to the compensation paid to SUEZ ENVIRONNEMENT COMPANY as chairman of SUEZ ENVIRONNEMENT SAS.

NOTE 11 Reversals of depreciation, provisions and transferred expenses

In thousands of euros	Dec. 31, 2011	Dec. 31, 2010
Transferred expenses		
Bond issuance costs	24,606.9	9,552.5
Credit facility set-up fees	3,755.0	9,500.0
Worldwide employee shareholding plan expenses	2,744.6	
Reversal of provisions for stock options and bonus shares	9,485.7	
Other	1,300.0	310.5
Total	41,892.2	19,363.0

Expenses relating to bond issues and credit line set-up fees are recognized as assets in the balance sheet and amortized over the lifetime of these instruments.

Expenses related to the implementation of the worldwide employee shareholding plan are charged to the issue premium.

Parent Company financial statements

NOTE 12 Financial income

In thousands of euros	Dec. 31, 2011	Dec. 31, 2010
Dividends received	230,870.1	512,112.0
Interest on receivables related to equity investments	213,196.7	2,697.9
Interest on current accounts	3,934.8	30,353.9
Interest on cash instruments	39,312.8	37,902.3
Other interest and similar income	(248,599.9)	(178,070.3)
Foreign exchange gain/loss	(2,686.2)	2,985.5
Net financial provisions	(13,396.3)	(4,443.1)
Net gain/loss on disposal of marketable securities	346.0	2,777.7
Total	222,978.0	406,315.8

Interest on receivables related to equity investments and on current accounts corresponds to the interest paid by SUEZ ENVIRONNEMENT SAS.

The foreign exchange gain/loss relates to currency gains and losses when unwinding currency transactions.

Other interest and similar income relate mainly to interest expense on bonds.

Net financial provisions correspond to translation adjustments and provisions constituted on treasury shares held under the terms of the liquidity contract.

Net gain/loss on disposal of marketable securities relates to sales of mutual funds.

NOTE 13 Non-recurring income

Non-recurring income can be analyzed as follows:

In thousands of euros	Dec. 31, 2011	Dec. 31, 2010
Sale of treasury shares	(17,897.3)	(2,194.5)
Other	247.4	(48.6)
Total	(17,649.8)	(2,243.1)

Non-recurring income relates mainly to the proceeds from the sale of treasury shares held under the terms of the bonus share plan and the liquidity contract.

NOTE 14 Income tax and tax consolidation

In thousands of euros	Position as of Dec. 31, 2011	Position as of Dec. 31, 2010
Gain (loss) from tax consolidation in the period	108,669.6	83,397.4
Rectification of prior period tax expense	812.5	1,434.8
INCOME TAX FOR THE PERIOD	109,482.1	84,832.2

Taking into account the changes as a result of the remedial Finance Law for 2011, SUEZ ENVIRONNEMENT COMPANY will have a tax liability, for the tax consolidation group, of €4.6 million for 2011.

Parent Company financial statements

DEFERRED TAX POSITION

The future tax liability position presented below results from the timing differences between the tax and the accounting treatment of SUEZ ENVIRONNEMENT COMPANY's income and expenses only:

In thousands of euros	Position as of Dec. 31, 2011	Position as of Dec. 31, 2010
Tax losses carried forward (base)	194,012.0	185,921.0
Bond issuance costs	5,856.0	1,886.0
Increase in future tax debt (base)	5,856.0	1,886.0
Provisions for non-deductible contingencies and losses	3,567.0	2,921.0
Other non-deductible provisions	475.0	180.0
Provisions not deductible in the fiscal year they are recognized	4,042.0	3,101.0
Difference between book value and tax value of marketable securities	39.0	37.0
Decrease in future tax debt (base)	4,081.0	3,138.0
TOTAL	192,237.0	187,173.0

The total timing differences amount to €192,237,000, representing a theoretical tax receivable of €66,187,200 based on assumptions of the rates applicable at the probable reversal date of future tax debts and receivables.

NOTE 15 Off balance sheet commitments

FINANCIAL COMMITMENTS GIVEN

Interest rate risk

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 upon market conditions.

		Notional as of Dec. 31. 2011					
In thousands of euros	≤ 1 year	1>5 years	6>10 years	10+ years	Total	Fair value	Notional as of Dec. 31, 2010
INTEREST RATE SWAPS							
fixed-rate payer/floating-rate receiver			50,000.0		50,000.0	(4,135.3)	50,000.0
floating-rate payer/fixed-rate receiver		961,750.0	850,000.0		1,811,750.0	98,855.1	1,900,000.0
TOTAL	-	961,750.0	900,000.0	-	1,861,750.0	94,719.8	1,950,000.0

FINANCIAL COMMITMENTS RECEIVED

In thousands of euros	Dec. 31, 2011	End 2012	Term 2013 to 2016	2017 and beyond
Credit facilities confirmed and unused	1,934,071.0	50,000.0	1,884,071.0	
Total	1,934,071.0	50,000.0	1,884,071.0	-

SUEZ ENVIRONNEMENT COMPANY received financing commitments in the amount of €1,934.1 million versus €1,417.7 million in 2010.

Parent Company financial statements

OPERATING COMMITMENTS

SUEZ ENVIRONNEMENT COMPANY gave guarantees to the government of Hong Kong for the operation of a number of landfills.

NOTE 16 Post-employment benefits

SUEZ ENVIRONNEMENT COMPANY pays its executive officer and sole employee post-employment benefits (pensions, retirement bonuses). The Company's jubilee award obligations are not material.

OVERVIEW OF BENEFIT OBLIGATIONS

In thousands of euros	Dec. 31, 2010	Service cost in the period	Dec. 31, 2011
Pensions ⁽¹⁾	1,621.0	855.0	2,476.0
TOTAL	1,621.0	855.0	2,476.0

⁽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 costs.

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 as of December 31, 2011 amounts to €2.5 million.

NOTE 17 Related company transactions

In thousands of euros	Related companies
Equity investments	6,157,390.3
Receivables related to equity investments	5,211,605.1
Trade and related receivables	22.1
Tax consolidation current accounts	79,619.1
Current accounts with subsidiaries showing a debit balance	236,992.7
Trade and related payables	301.5
Interest on receivables related to equity investments	213,196.7
Interest on current accounts with subsidiaries showing a debit balance	3,787.7

The above data mainly concern the Company's transactions with SUEZ ENVIRONNEMENT SAS.

Parent Company financial statements

NOTE 18 Subsidiaries and equity investments

Book value of securities held as of Dec. 31,2011

Reserves Last In thousands of euros % of capital Revenue in Net gain/loss fiscal and Share retained held as of last fiscal in last year-end **Gross Provision** Corporate name capital earnings Dec. 31, 2011 year fiscal year date 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 3,323,457 133,495 100% 6,157,390 0 224,170 154,664 Dec-11 EUR

Tour CB21

16, place de l'Iris

92040 Paris La Defense SIREN no.: 460 118 608

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 19 Compensation of Board members and Chief Executive Officer

Compensation paid to management (to salaried employees or re-invoiced) for fiscal year 2011 was €1,575,600.

Attendance fees paid to Board members in 2011 amounted to €447,800.

NOTE 20 Subsequent events

No significant events occurred after the closing of accounts on December 31, 2011.

Parent Company financial statements

FIVE-YEAR FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
SHARE CAPITAL AT FISCAL YEAR-END					
Share capital (in euros)	2,040,935,316	1,958,796,240	1,958,796,240	1,958,796,240	40,000
Number of issued shares	510,233,829	489,699,060	489,699,060	489,699,060	10,000
FISCAL YEAR TRANSACTIONS AND RESULTS (in thousands of euros)					
Revenue excluding VAT	4,356.9	6,560.1	3,988.4	230.0	
Income before tax, employee profit-sharing. depreciation and provisions	217,231.8	388,625.5	533,513.9	(33,150.1)	(1.5)
Income tax expense	109,482.1	84,832.2	86,671.7	98,463.9	
Net income	312,176.8	451,527.8	611,780.2	64,622.9	(1.5)
Dividends paid ⁽¹⁾	318,304.4	317,426.9	317,621.9		
EARNING PER SHARE (in euros)					
Income after tax, employee profit-sharing and before depreciation and provisions	0.64	0.97	1.27	0.27	(0.24)
Net income	0.61	0.92	1.25	0.26	(0.24)
Dividend per share paid	0.65	0.65	0.65		
PERSONNEL (in thousands of euros)					
Average workforce in the fiscal year	2	1	1		
Payroll cost	1,680.9	1,549.2	958.9	313.0	
Employee benefit related payments (social security and pension plan contributions etc.)	555.1	390.2	261.1	156.5	

⁽¹⁾ excluding treasury shares

Parent Company financial statements

REALIZABLE ASSETS AND CURRENT LIABILITIES

In thousands of euros	December 31, 2011	December 31, 2010
REALIZABLE ASSETS		
Non-current assets	1,480.8	24,668.4
Other financial assets	1,480.8	24,668.4
Current assets	411,419.1	4,704,491.8
Trade and related receivables	22.1	7,048.9
Advances and downpayments on orders	13.6	26.2
Other receivables, including cash instruments	411,383.4	4,697,416.8
Cash and cash equivalents	781,938.2	241,837.5
TOTAL REALIZABLE ASSETS	1,194,838.1	4,970,997.8
CURRENT LIABILITIES		
Financial debt	629,396.7	624,664.1
Bank borrowings and debts	415,928.6	412,258.7
Other borrowings and short-term debts(1)	213,468.1	212,405.5
Operating debt	23,155.7	30,037.4
Trade and related payables	5,843.1	11,767.8
Tax and employee related payables	597.4	268.3
Other payables, including cash instruments	16,715.1	18,001.4
TOTAL CURRENT LIABILITIES	652,552.4	654,701.6
REALIZABLE ASSETS – CURRENT LIABILITIES	542,285.8	4,316,296.2
(1) Including bank overdrafts.	230.8	-

MATURITY OF TRADE PAYABLES

			Due		
In thousands of euros	Total	Not due	< 3 months	> 3 months	
2011	568.4	547.9	14.8	5.7	
2010	6,616.7	6,174.3	381.7	60.7	

Statutory auditors' report on the Parent Company financial statements



20.4 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2011, 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

Opinion on the financial statements Ι.

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 method 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 com-pany as at December 31, 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

Justification of our assessments II.

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justifica-tion 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 hypothesis supporting the estimates made, verifying the calculations and examining 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.

Statutory auditors' report on the Parent Company financial statements

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 Paris-La Défense, March 16, 2012

The statutory auditors
French original signed by

MAZARS ERNST & YOUNG et Autres

Thierry Blanchetier Isabelle Massa Charles-Emmanuel Chosson Pascal Macioce

Legal and arbitration proceedings



20.5 DIVIDEND DISTRIBUTION POLICY

A dividend of €0.65 per share, for a total of €330 million⁽¹⁾, will be proposed to the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2011. Subject to approval by the Shareholders' Meeting, this dividend will be paid during the first half of 2012



20.6 LEGAL AND ARBITRATION PROCEEDINGS

20.6.1 Competition and industry concentration

Inspections conducted 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 possible 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, 2010 pursuant to chapter VI of Regulation (EC) 1/2003, the Commission decided to initiate proceedings against SUEZ ENVIRONNEMENT in relation to this incident. Within the context of these proceedings, SUEZ ENVIRONNEMENT COMPANY actively cooperated and communicated information relating to this unfortunate incident with full transparency. Pursuant to the aforementioned regulation, on October 20, 2010 the Commission filed a claim against SUEZ ENVIRONNEMENT COMPANY and its subsidiary Lyonnaise des Eaux, which responded to the claim on December 8, 2010 without contesting that the seal had been moved accidentally.

Given the immediate and constructive cooperation of SUEZ ENVIRONNEMENT COMPANY and its subsidiary, the Commission decided to set the penalty for breaking the seal at 8 million and notified the companies of this on May 24, 2011. This decision was not appealed.

On January 13, 2012, the European Commission sent notice to SUEZ ENVIRONNEMENT of its decision to launch a formal inquiry to determine whether the companies Saur, SUEZ ENVIRONNEMENT, Veolia Environnement and the Fédération Professionnelle des Entreprises de l'Eau (French professional federation of water companies) engaged in anti-competitive practices affecting contracts for the delegated management of water and wastewater services in France.

The launch of this inquiry in no way prejudges the outcome of the investigation.

20.6.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €211.3 million as of December 31, 2011 (excluding litigation 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.

(1) Based on the number of shares as of December 31, 2011, excluding treasury shares.

Legal and arbitration proceedings

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 that are now being challenged by the local authority.

LMCU and SEN disagree over the challenging of these amendments. In order to resolve this longstanding technical issue, LMCU and SEN decided at the end of 2009 to submit the dispute to an independent arbitration commission, as provided in the contract. This commission was chaired by Mr. Michel Camdessus, former managing director of the International Monetary Fund, who 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 payment command against SEN that was issued on July 29, 2010.

Two appeals, calling for the annulment of the June 25 deliberations and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6, 2010 by SEN and Lyonnaise des Eaux (in the latter's capacity as SEN shareholder).

At the time of this Reference Document's preparation, the parties continue to exchange supporting documentation and no date has yet been set for the hearing.

Litigations in argentina

In Argentina, tariffs applicable to public-service 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 in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean 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 Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its

jurisdiction to rule on the two cases in 2006, and 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, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its shareholders' meeting on 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 Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about USD 40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid USD 6.1 million and USD 3.8 million respectively.

For the record, SUEZ and SUEZ ENVIRONNEMENT – prior to both the SUEZ-Gaz de France merger and the listing of SUEZ ENVIRONNEMENT COMPANY on the stock exchange – 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 Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.

The expert should render their conclusions in 2012.

United Water (New York State, United States)

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

Legal and arbitration proceedings

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

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

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents.

The claim for punitive damages was definitively dismissed on May 31, 2011, and a ruling on the substance of the case is not expected before the first half of 2012.

This claim has been reported to the insurance companies.

United Water (Indiana, United States)

On April 10, 1998, United Water Services Inc. and the Gary Sanitary District entered into a 10-year contract for the operation and maintenance of a wastewater treatment plant. This contract was renewed for a further five 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 concluding the proceedings. In the fall 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 on the substance of the case is not expected before the first half of 2012.

On June 9, 2011, the Utility Workers Union of America and Food & Water Watch filed a claim against United Water citing the Guidelines for Multinational Enterprises adopted by the Organization for Economic Co-operation and Development (OECD). The claim was submitted as part of a renegotiation of the pension scheme operated by United Water. Considering this claim to be unfounded, United Water rejected it on October 27, 2011.

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 unable to decide on a technical solution or achieve an agreement among the various parties. A settlement agreement on May 23, 2011 between the residents and the city of Casey ended the class action, and the city was subrogated to the rights of the residents.

The case should be reviewed by the Supreme Court of the State of Victoria during the first half of 2012.

This claim has been reported to the insurance companies.

Legal and arbitration proceedings

Degrémont (Melbourne)

In July 2009, SUEZ ENVIRONNEMENT, in conjunction with its subsidiary Degrémont under a special purpose entity called Aquasure, was awarded the project for a seawater desalination plant by the State of Victoria. This 30-year contract covers the financing, designing, building and operation of the plant. The plant consists of three production lines with a total capacity of 450,000 m³ of drinking water per day to meet approximately one-third of Greater Melbourne's water needs.

Aquasure, a vehicle specially created for the project and owned by multiple funds and investors (including SUEZ ENVIRONNEMENT, which holds a 21% interest), is signatory to the agreements with the State of Victoria. Aquasure then allocated the contract for the design and build stages of the plant to a joint venture consisting of Thiess (65% – Leighton Group, the leading Australian civil-engineering group) and Degrémont (35%). The operating stage was allocated to a joint venture between Degrémont (60%) and Thiess (40%).

The contractual timeline provides for the progressive commissioning of desalination as of December 19, 2011 and the final delivery of the plant on June 30, 2012.

Construction work began in September 2009. However, site progress was constantly and significantly impacted by (i) major weather events and (ii) particularly acute union action (persistent social unrest and low productivity).

The impact of the above events on the contractual timeline should push back the projected dates for commissioning and final delivery by several months. Consequently, SUEZ ENVIRONNEMENT has recognized an expense in its financial statements for 2011, as detailed in Section 9 of this Reference Document.

Degrémont and its partner Thiess consider that the delay to the contractual timeline and the resulting financial consequences are only partially attributable to themselves, and they are determined to exert their rights to obtain an extension to the timeline as well as financial compensation.

Accordingly, a number of claims have already been filed, covering, in particular, requests to extend the timelines to reflect days lost due to extreme weather events and a request for compensation for additional costs involved due to industrial-relations problems.

All the teams are mobilized to complete the site work as quickly as possible.

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 (prorogable) between Aquasure and the Thiess-Degrémont construction joint venture. The purpose of the moratorium is to analyze the claims filed by the joint venture.

SUEZ ENVIRONNEMENT estimates that the current risk presented by the project is correctly provisioned in its financial statements.

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 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of $\ensuremath{\in} 28$ million in addition to penalties of $\ensuremath{\in} 12$ million. Agbar also received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of $\ensuremath{\in} 41$ million in addition to penalties of $\ensuremath{\in} 25$ million. In May 2009, Agbar was also notified of a reassessment in the amount of $\ensuremath{\in} 60.5$ million for the 2002-2004 fiscal years, without additional penalties.

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

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal by the Spanish government with respect to 1996 and 1997, Agbar is entitled to request the repayment of approximately €4 million in taxes wrongly levied as well as the corresponding late penalties. The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

Moreover, in May 2008 the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, the Court of Appeals held in favor of Agbar in the amount

Significant change in the financial or business situation

of €20 million, thereby reducing the initial claim from €41 million to €21 million. Agbar subsequently filed an appeal with the Supreme Court to recover the remaining €21 million. The Spanish government also appealed the ruling in favor of Agbar.

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

Lyonnaise des Eaux and its subsidiaries

In 2011, Lyonnaise des Eaux France and its subsidiaries finally concluded a dispute with the French tax authorities over business tax (taxe professionnelle) and the method used to value equipment and furniture belonging to local authorities and financed by the delegated operator.



20.7 SIGNIFICANT CHANGE IN THE FINANCIAL OR BUSINESS SITUATION

Please see sections 10.5.2, "Expected sources of financing", and 20.1, Note 25, "Subsequent events", of this Reference Document.

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ADDITIONAL INFORMATION



21.1 GENERAL INFORMATION ON SHARE CAPITAL

Amount of share capital as of December 31, 2011

On December 31, 2011 the Company's share capital was €2,040,935,316, divided into 510,233,829 shares with a nominal value of €4 each

The Company shares are fully subscribed and paid up, and all belong to the same class.

21.1.2 Non-equity instruments

None.

Shares held by the Company or on its behalf

Resolution 14 of the Combined Ordinary and Extraordinary Annual Shareholders' Meeting held on May 19, 2011 (i) terminated the unused portion of the authorization granted to the Board of Directors by Resolution 13 of the Combined Ordinary and Extraordinary Annual Shareholders' Meeting held on May 20, 2010 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 independent investment firm, in the context of a liquidity contract concluded in accordance with the Ethics Charter accepted by the French Financial Market Authority (AMF);
- subsequent cancellation, either in whole or in part, of shares purchased in accordance with Article L.225-209 of the French Commercial Code in the context of a capital reduction approved or authorized by the Shareholder's Meeting;
- · allotment or sale of 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 terms in Article L.3332-18 et seq. of the French Labor Code or under the provisions of shareholding plans in other countries:

- retention of shares and subsequent tender (for exchange, payment or other) within the context 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 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;
- · any other aim, currently authorized or that may be authorized in the future, by applicable law or regulations, provided that the relevant information is duly communicated to the Company's shareholders.

On March 2, 2011, in accordance with the Board of Directors' decision of February 8, 2011 and pursuant to Article 11 of the contract, the Company contributed an additional €15,000,000 in cash.

ADDITIONAL INFORMATION

General information on share capital

On May 19, 2011, the Board of Directors resolved to implement the delegation awarded by the Shareholders' Meeting of the same date, in accordance with the objectives authorized by Resolution 14 of the same meeting. Pursuant to Article L.225-211 of the French Commercial Code and Article 241-2 of the AMF General Regulations, resulting from the Order of January 30, 2009, the Company specifies that it has engaged in the following stock market transactions as of the start of the program to December 31, 2011:

- The Company acquired 29,215,914 of its own shares for a total value of €394 million (i.e. an average price per share of €13.49), 21,715,300 of which were under the liquidity contract and 7,500,614 of which to cover the stock purchase option and bonus share allocation plans;
- · Over the same period, the Company sold 18,773,025 of its own shares under the liquidity contract for a total value of €271.1 million (i.e. an average price per share of €14.44);
- · The Company also delivered 942,660 free shares to Group employees as part of the bonus share plan of June 25, 2009;
- On December 8, 2011 the Board of Directors decided to reallocate 8,370,000 treasury shares to be cancelled (of which 5,862,735 shares acquired as part of the futures financing contract for shares, concluded September 30, 2011 between the Company and Crédit Agricole Corporate and Investment Bank, a licensed investment services provider). Furthermore, pursuant to the authorization granted by the General Meeting of May 19, 2011 as Resolution 15, the Board of Directors on December 8, 2011 decided to cancel 8,370,000 shares, entailing a €33,480,000 reduction in share capital.

As of December 31, 2011, the Company held 3,294,721 shares (of which 219,721 were to cover the stock purchase option and bonus share plans) with a market value on December 31 of €29.4 million⁽¹⁾ and purchase price of €36.4 million.

Between January 1, 2012 and February 6, 2012, the Company acquired 173,000 of its own shares for a total of €1.52 million (i.e. an average price per share of €8.79) under the sole liquidity contract. Over the same period, the Company sold 3,060,500 of its own shares for a total of €29.14 million (i.e. an average price per share of €9.52) under the sole liquidity contract. As of February 6, 2012, the Company held 0.08% of its capital, i.e. 407,221 shares (including 219,721 shares held to cover the stock purchase option and bonus share plans).

Description of the share buyback program for submission to the Combined Ordinary and Extraordinary Shareholders' Meeting on May 24, 2012

Pursuant to Articles 241-1 to 241-6 of the General Regulations of the 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 24, 2012.

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 as of December 31, 2011: 51,023,382 shares;
- maximum authorized purchase price per share: €25.

21.1.3.2 Objectives of the share buyback program

The objectives pursued by SUEZ ENVIRONNEMENT COMPANY within the context of this share buyback program are set forth below:

- ensure liquidity and boost the Company's shares on the secondary market, via an investment firm acting independently, in the context 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 Shareholders' Meeting;
- · allotment or sale of 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 et seg. of the French Labor Code or under the provisions of shareholding plans in other countries:
- retention of shares and subsequent tender (for exchange, payment or other) within the context 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

⁽¹⁾ Average monthly share price for December 2011.

General information on share capital

shares through redemption, conversion, exchange, presentation of warrant or any other means;

· in general, to pursue any other goal that is or would become authorized by law or regulations, or to engage in any market practice that is or would become approved by financial market regulators, provided that the Company's shareholders are formally 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 Company's share capital, for a maximum total of €1,275,584,550 based on the share capital as of December 31, 2011, consisting of 510,233,829 shares.

(b) Duration of the share buyback program

Pursuant to the resolution to be proposed to the Shareholders' Meeting of May 24, 2012, the share buyback program may be implemented for 18 months from the date of the Shareholders' Meeting, i.e. until November 25, 2013.

21.1.4 Other equity instruments

None.

Authorizations and delegations of authority granted by the Company's 21.1.5 Shareholders' meeting

The delegations and authorizations to issue shares and other securities approved by the Company's Combined Ordinary and Extraordinary Shareholders' Meetings of May 26, 2009, May 20, 2010 and May 19, 2011 are the following:

Authorizations and delegations of authority granted by the Combined Ordinary and Extraordinary Shareholders' Meetings of May 26, 2009, May 20, 2010 and May 19, 2011

Αu	nthorizations/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 as of May 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 as of May 20, 2010	€220 million ^{(2) (3)}	Not used	
3.	Issue, in accordance with Article L.411-2 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 May 20, 2010	€220 million ⁽³⁾	Not used	
4.	Increase in the amount of the issues, with retention or removal of preferential subscription rights (Resolution 18)	26 months as of May 20, 2010	Up to 15% of initial issue ⁽²⁾	Not used	

General information on share capital

Au	thorizations/delegations of authority	Validity period	Authorized ceiling	Amount used	Balance
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 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 as of May 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 as of May 20, 2010	€196 million (up to 10% of 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 as of May 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 as of May 20, 2010	€220 million ^{(3) (2)}	Not used	
9.	Issue of mixed securities representing debt (Resolution 23)	26 months as of May 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 as of May 20, 2010	€28 million ⁽²⁾	Issue Dec. 8, 2011 of 6,977,062 new shares as part of employee share issue	22,938 shares
11.	Authorization to trade in its own shares on the stock exchange (Resolution 14)	18 months as of May 19, 2011	Up to 10% of capital	0.65% as of December 31, 2011	9.35% of the share capital
12.	Authorization to reduce share capital by cancelling treasury shares (Resolution 15)	18 months as of May 19, 2011	10% of the share capital per 24-month period	Cancellation on Dec. 8, 2011 of 8,370,000 shares, i.e. 1.64% of share capital	8.36% of the share capital
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 General Meeting of May 26, 2009)	38 months as of May 26, 2009	Maximum holding: 1.5% of share capital on the date allocated by the Board of Directors	Allocation Dec. 17, 2009 of 3,464,440 options i.e. 0.68% of share capital as of Dec. 31, 2011	0.24% of share capital as of Dec. 31, 2011
				Allocation December 16, 2010 of 2,944,200 options, i.e. 0.58% of share capital as of Dec. 31, 2011	
				Total allocated 6,408,640 options, i.e. 1.26% of share capital as of Dec. 31, 2011	

⁽¹⁾ Same ceilings for Resolutions 15 and 21 of the Combined Shareholders' Meeting of May 20, 2010.

⁽²⁾ Ceiling is \in 392 million at nominal value, plus the capital increases pursuant to authorizations 1, 2, 3, 4, 5, 6, 7, 8, 10 and 15.

⁽³⁾ Same ceilings for Resolutions 16, 17 and 22 of the Combined Shareholders' Meeting of May 20, 2010.

General information on share capital

Authorizations/delegations of authority	Validity period	Authorized ceiling	Amount used	Balance
14. Authorization to allocate bonus shares to employees of the Company or Group companies, as well as to corporate officers (Resolution 26)	24 months as of May 20, 2010	Maximum holding: 1% of share capital	Allocation on Dec. 16, 2010 of 829,080 performance shares, i.e. 0.16% of share capital as of Dec. 31, 2011 Allocation on Dec. 8, 2011 as part of employee share issue (international matching shares) of 101,211 shares Total allocated: 930,291 shares, i.e. 0.18% of share capital as of Dec. 31, 2011(4)	0.82% of share capital as of Dec. 31, 2011
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 16)	18 months as of May 19, 2011	Nominal amount €12 million ⁽²⁾	Issue on Dec. 8, 2011 of 2,918,976 new shares as part of employee share issue	81,024 shares

⁽¹⁾ Same ceilings for Resolutions 15 and 21 of the Combined Shareholders' Meeting of May 20, 2010.

The General Shareholders' Meeting of May 24, 2012 will be asked to renew (under similar terms) some of the resolutions, voted on by the General Meetings of May 26, 2009, May 20, 2010 and May 19, 2011 and expiring during 2012.

The details of the renewals proposed to the General Meeting of May 24, 2012 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	Share capital before the operation (in euros)	Premium (in euros)	Shares created/ cancelled	Nominal value (in euros)	Cumulative number of shares	Share capital after the operation (in euros)
2006	N/A	40,000	N/A	N/A	16	2,500	40,000
2007	Split by 4 of nominal value	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

⁽²⁾ Ceiling is €392 million at nominal value, plus the capital increases pursuant to authorizations 1, 2, 3, 4, 5, 6, 7, 8, 10 and 15.

⁽³⁾ Same ceilings for Resolutions 16, 17 and 22 of the Combined Shareholders' Meeting of May 20, 2010.

⁽⁴⁾ On March 15, 2012 the Board of Directors decided to allocate 828,710 performance shares or 0.16% of share capital (based on share capital at December 31, 2011). Therefore, over the period 2010-2012 a total of 1,759,001 shares were allocated under authorization 14 (Resolution 26), or 0.35% of share capital. After the most recent allocation in March 2012, the unallocated balance under this authorization amounted to 0.65% of share capital (based on share capital at December 31, 2010).

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Date	Type of transaction	Share capital before the operation (in euros)	Premium (in euros)	Shares created/ cancelled	Nominal value (in euros)	Cumulative number of shares	Share capital after the operation (in euros)
June 27, 2011	Scrip dividend ^(c)	1,958,796,240	171,648,841	19,008,731	4	508,707,791	2,034,831,164
December 8, 2011	Capital decrease ^(d)	2,034,831,164	65,357,420	8,370,000	4	500,337,791	2,001,351,164
December 8, 2011	Employee share issues ^(e)	2,001,351,164	49,679,238	9,896,038	4	510,233,829	2,040,935,316

- (a) Subscription form signed on December 28, 2007; capital increase on January 4, 2008.
- (b) Remuneration of the SUEZ ENVIRONNEMENT shares that SUEZ contributed SUEZ ENVIRONNEMENT COMPANY.
- (c) Capital increase due to the subscription of 19,008,731 shares as part of the option for a scrip dividend.
- (d) Capital decrease due to the cancellation of 8,370,000 treasury shares.
- (e) Capital increase due to the subscription of 9,896,038 new shares as part of the SUEZ ENVIRONNEMENT Group employee share issue.

In 2011 there were 28,904,769 shares created and 8,370,000 shares cancelled.



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 and other needs and uses, on behalf of local public authorities and 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, in general, any activity or venture related to waste management;
 - the creation, acquisition, operation and 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;
 - In general, 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 and private individuals, and the preparation and awarding of all contracts of any type whatsoever relating to such 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;
- the acquisition, purchase, divestment and operation of any patent, trademark, model, patent license or process;
- **6.** the granting of any guarantee, first-call guarantee or 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, subscription of debt securities or financial instruments, in order to finance or refinance the Company's business activities;
- 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.

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21.2.2 Provisions relating to administrative and management bodies

21.2.2.1 Board of Directors

(a) Board of Directors' Internal Regulations

The Board of Directors has adopted a set of Internal Regulations to lay out the conditions for the functioning of the Company's Board. These Internal Regulations, initially adopted by the Board on July 23, 2008, were amended by a Board of Directors' decision dated February 7, 2012.

(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 3 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.

Directors 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/her 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 one-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 in which the 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 shall appoint one or more members to the position of Vice-Chairman.

Regardless of the term of office, the Chairman's term shall expire, at the latest, as of the close of the Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which 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/her absence, by 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 (Articles 1 and 2 of the Board of Directors' Internal Regulations)

As described in the Chairman's report in Section 16.5 of this Reference Document, the Board of Directors' Internal Regulations were amended by a Board decision dated February 7, 2012. The functioning of the Board of Directors is described in Articles 1 and 2 of the Internal Regulations, which are reproduced below. For a description of the functioning of the Board of Directors before the Internal Regulations were amended on February 7, 2012, see Section 21.2.2.1(D) of the 2010 Reference Document.

Article 1 of the Internal Regulations - Meetings

- 1. The Board of Directors meets as often as the interests of the Company and the legal and regulatory provisions require, and at least once per quarter. Notices of meetings may be circulated by the Board Secretary or the General Secretary, and are sent via letter, fax or e-mail or conveyed verbally.
- 2. Meetings may be conducted in any manner, including by videoconference or teleconference, subject to the restrictions and conditions in the applicable regulations. Directors who participate in a Board meeting in the manner cited above are deemed to be present for the purposes of calculating the quorum and voting majority, subject to the restrictions in applicable regulations.
- 3. Any Director, under his/her own responsibility, may delegate by proxy to another Director the ability to vote on his/her behalf. The proxy must be in writing and carry the signature, which can be electronic, of the Director assigning the proxy. The proxy must state the date of the meeting to which it applies. A Director may assign a proxy only to another Director. A Director may only represent one colleague in the course of a given meeting. The Director receiving the proxy may participate in the Board meeting physically or by videoconference or teleconference.
- 4. The content of the minutes of a meeting are sufficient proof, vis-à-vis third parties, of the number of Directors in office, their presence physically or by videoconference or teleconference, or their representation by proxy. If the Chairman of the Board of Directors finds that the videoconferencing or teleconferencing technology malfunctions, the Board can validly deliberate and/or continue solely with the members physically present, provided that quorum conditions are satisfied.

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5. Meetings are held at head office at Tour CB21, 16 Place de l'Iris, 92040 Paris La Defense cedex - France, or at any other place indicated in the notice of meeting.

Article 2 of the Internal Regulations - Registers and Minutes

- 1. 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 that they represent. In accordance with the provisions of applicable laws and regulations, any proxies granted by letter or, if need be, by fax or e-mail, are attached to the attendance register. The attendance register for Board meetings must state which Directors, if any, participated by videoconference or teleconference, and which conferencing method they used.
- 2. The Chairman submits the minutes of the previous meeting(s) to the Board for approval. The minutes must report the occurrence of any technical incident that disrupted the normal operation of the meeting.

In an emergency or if necessary, the exact wording of the minutes on a particular issue can, at the Chairman's request, be decided at the meeting, so that the Company can use it in a communication to third parties.

Every Director is entitled to a copy of the minutes of any Board meeting.

Extracts from the minutes used for court proceedings must be certified as true copies by the Chairman of the Board, the Chief Executive Officer, the General Secretary or the Board Secretary.

(e) Meeting of the Board of Directors and proceedings (Article 12 of the bylaws)

The Chairman calls the Directors to the Board of Directors' meetings, which are held at the headquarters or at any other location indicated by the author of the notice of meeting. If the Board has not met for at least two months, then at least a one-third segment of 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 meeting 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. Subject to the powers expressly attributed to the Shareholders' Meetings and within the limits of the Company's purpose, the Board deals with all issues concerning the running of the Company, and rules on relevant matters through its decisions.

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 in attendance fees for the Board of Directors, which amount 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.

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Regardless 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 that 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 that the Chief Executive Officer (CEO) ceases to be a director during his/her term of office, he/she shall remain CEO until the term of his/her 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 4 of the Board of Directors' Internal Regulations)

As described in the Chairman's report in Section 16.5 of this Reference Document, the Board of Directors' Internal Regulations were amended by a Board decision dated February 7, 2012. The limits on the powers of the Chief Executive Officer are described in Article 4 of the Internal Regulations and are listed below. The limits on CEO powers applicable before the effective date of the new Internal Regulations (February 7, 2012) are described in Section 21.2.2.2 (b) of the 2010 Reference Document.

- 1. The following decisions of the Chief Executive Officer are submitted for prior approval by the Board of Directors:
 - a) Significant transactions likely to affect Group strategy or to modify its financial structure, scope, activities or risk profile. The Chief Executive Officer takes full responsibility for appraising the significant nature of the above decisions or transactions. The following operations in particular are considered significant:
 - (i) the operations described below, if their unit amount exceeds €350 million, with the exception of internal operations between fully consolidated Group companies:
 - · taking or transferring (including by contribution, merger or demerger) any equity interest, even a noncontrolling equity interest, in any existing or future company, the operative value in calculating the above-cited threshold being the Enterprise Value;
 - · participating in or forming any company, joint venture, group or entity, and in general any organic growth operation;
 - · subscribing to any issues of equity instruments;
 - · acquiring or disposing of any assets, real estate or goodwill;

- · in a dispute, agreeing to any treaty or transaction or accepting any compromise, if the matter involves more than €100 million.
- (ii) The following financing operations, if they exceed €1 billion.
 - · with the exception of the cases listed in (i) above, agreeing to any contribution or exchange, with or without a balancing cash adjustment, relating to assets, securities or other financial instruments;
 - · granting or taking out loans, borrowings, credits or advances;
 - · granting liens on Company assets;
 - · acquiring or disposing of receivables by any method.
- b) Operations that fall outside the Company's stated strategy.
- 2. The Board of Directors annually sets the total amount of sureties, approvals and guarantees that can be granted by the Chief Executive Officer, and the Chief Executive Officer is explicitly required to report annually to the Board of Directors on the amount and nature of the sureties, approvals and guarantees that he/she has granted under this authorization.
- 3. Before appointing anyone to be a member of the Group's Management Committee, the Board of Directors, which can delegate this consultative function to the Nominations and Compensation Committee provided that it reports back to the Board of Directors, must be consulted in a timely fashion by the Chief Executive Officer.
- 4. The Chief Executive Officer, as and when appropriate, can ask the Board to deliberate on any matter not listed above.

(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/her appointment cannot exceed his/her term of office as Director.

Regardless of the period of the appointment, the Chief Operating Officer's term of office 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 that 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.

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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 subdelegate.

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. Co-owners shall therefore 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 Shareholders' Meetings in person or through a proxy, regardless 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 (midnight) 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 teleconferencing or remote transmission. Shareholders' Meetings are called and conducted in accordance with the law.

Meetings are held at the Company's headquarters or 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 this, 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 so notified by the Board of Directors in the meeting notice, electronically.

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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 Bylaw 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, at any time, require the clearing agent to provide the name (and, if a corporation, the corporate name), nationality and address of holders of shares 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, that 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 that the Company receives it before certifying attendance

Any individual or legal entity, acting alone or in concert, that 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 10 business days of crossing one of these thresholds, of the objectives that the individual or legal entity intends to pursue over the next 12 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 is 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 following contracts:

- the Shareholders' Agreement signed between SUEZ ENVIRONNEMENT COMPANY, SUEZ ENVIRONNEMENT España, Criteria CaixaCorp and Hisusa Holding de Infraestructuras y Servicios on June 7, 2010 following the restructuring of Agbar (see Section 6.5.2.2). This agreement replaces the agreement signed on 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 the rights and duties of which 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);
- 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).

SIGNIFICANT CONTRACTS

INFORMATION FROM THIRD PARTIES, STATEMENTS OF EXPERTS, AND DECLARATIONS OF INTEREST

None.

23

INFORMATION FROM THIRD PARTIES, STATEMENTS OF EXPERTS, AND DECLARATIONS OF INTEREST

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 2009, 2010 and 2011, 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

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24.2 SCHEDULE FOR FINANCIAL INFORMATION

Jean-Marc Boursier, Chief Financial Officer

Sophie Lombard, Head of Financial Communications

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Website: www.suez-environnement.com

Schedule of financial communication

Presentation of annual results: February 8, 2012

Annual shareholders' meeting: May 24, 2012

2012 interim results: August 1, 2012

DOCUMENTS AVAILABLE TO THE PUBLIC



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 26, section 20.1 of this Reference Document.

INFORMATION ON EQUITY INTERESTS



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COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF MAY 24, 2012

26.1 AGENDA

RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY **GENERAL MEETING**

- 1. Approval of the Company's annual financial statements for the fiscal year ended December 31, 2011.
- 2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2011.
- 3. Allocation of the net result for the 2011 fiscal year and determination of the dividend.
- 4. Ratification of the cooptation of Ms Isabelle Kocher as a director.
- Renewal of Mr. Gérard Mestrallet's position as a director.
- 6. Renewal of Mr. Jean-Louis Chaussade's position as a director.
- 7. Appointment of Ms Delphine Ernotte Cunci as a director.
- 8. Renewal of Mr. Patrick Ouart's position as a director.
- 9. Renewal of Mr. Amaury de Sèze's position as a director.
- 10. Renewal of Mr. M. Harold Boël's position as a director.
- 11. Renewal of Ernst & Young's position as lead statutory auditors.
- 12. Renewal of Auditex's position as deputy statutory auditors.
- 13. Approval of the related-party agreements and commitments governed by Articles L. 225-38 et seq. of the French Commercial Code.
- 14. Approval of the commitments made by the Company to the benefit of Mr. Jean-Louis Chaussade.
- 15. Authorization to be granted to the Board of Directors to trade the Company's shares.

RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY **GENERAL MEETING**

16. Delegation of authority to be granted to the Board of Directors to reduce the share capital of the Company through the cancellation of treasury shares.

- 17. Delegation of authority to be granted to the Board of Directors to increase the share capital of the Company with shareholders' preferential subscription rights by issuing equity securities and/ or any securities conferring an immediate or future right to the Company's share capital.
- 18. Delegation of authority to be granted to the Board of Directors to increase the share capital of the Company without shareholders' preferential subscription rights by issuing equity securities and/ or any securities conferring an immediate or future right to the Company's share capital.
- 19. Delegation of authority to be granted to the Board of Directors to set issue prices up to a maximum of 10% of the Company's share capital per annum in the event that shares and/or securities conferring an immediate or future right to the Company's share capital are issued without shareholders' preferential subscription rights.
- 20. Delegation of authority to be granted to the Board of Directors, pursuant to an offer as set out in Article L. 411-2 II of the French Monetary and Financial Code, to issue shares and securities conferring access to the Company's share capital without shareholders' preferential subscription rights.
- 21. Delegation of authority to be granted to the Board of Directors to increase, by up to 15% of the initial issue, the number of securities to be issued in the event of a share capital increase, with or without shareholders' preferential subscription rights.
- 22. Delegation of authority to be granted to the Board of Directors to increase the Company's share capital as compensation for contributions in kind comprised of equity securities or securities conferring access to share capital.
- 23. Delegation of authority to be granted to the Board of Directors to increase the share capital by incorporating premiums, reserves, profits or any other amounts that can be capitalized.
- 24. Delegation of authority to be granted to the Board of Directors to increase the share capital to compensate for securities contributed as part of a public exchange offer initiated by the Company.

Report of the Board of Directors on the resolutions presented to the Combined Ordinary and Extraordinary General Shareholders' Meeting to be held on May 24, 2012

- 25. Delegation of authority to be granted to the Board of Directors to issue mixed securities representing debt.
- 26. Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing shares or securities conferring access to share capital to the benefit of members of a savings plan with waiver of preferential subscription rights in favor of these employees.
- 27. Delegation of authority to be granted to the Board of Directors to increase the share capital, without shareholders' preferential subscription rights, in favor of a class or classes of named beneficiaries in connection with the implementation of the SUEZ ENVIRONNEMENT Group international employee shareholding and savings plan.
- 28. Delegation of authority to be granted to the Board of Directors to allocate bonus shares.
- 29. Overall cap applicable to the delegations and authorizations.
- 30. Power to carry out formalities.



26.2 REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PRESENTED TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING TO BE HELD ON MAY 24, 2012

Thirty resolutions have been submitted for your approval. The first 15 resolutions will be submitted to the Ordinary General Meeting, while Resolutions 16 to 30 will be submitted to the Extraordinary General Meeting.

RESOLUTIONS WILL BE SUBMITTED TO THE ORDINARY **GENERAL MEETING**

Approval of the annual and consolidated financial statements for the fiscal year ended December 31, 2011 (Resolutions 1 and 2)

The General Meeting is requested to approve the Company's annual financial statements for the fiscal year ended December 31, 2011, as well as the operations reflected in those statements.

These annual financial statements show a net book profit of €312.176.792.56

The General Meeting is also requested to approve the consolidated financial statements for the fiscal year ended December 31, 2011, as well as the operations reflected in those statements.

Allocation of profit for the fiscal year ended December 31, 2011 (Resolution 3)

The distributable profit for the fiscal year amounts to €485,864,972.16. It consists of the net book profit for the fiscal year ended December 31, 2011 amounting to €312,176,792.56 plus the prior carry-forward amounting to €173,688,179.60.

The Board of Directors proposes that the General Meeting allocate this distributable profit as follows:

Dividend distributed for the 2011 fiscal year

€331,651,988.85

(i.e. a €0.65 net dividend per share based on 510,233,829 Company shares as of December 31, 2011)

Allocation of the balance to retained earnings

€154,212,983.31

The dividend will be detached from the share on May 28, 2012 and paid out on May 31, 2012.

Your Board of Directors wishes to draw your attention to the fact that the final amount to be paid out will take into account the number of treasury shares held by the Company at the time the dividend is

In accordance with Article 158, 3-2° of the French General Tax Code, individuals residing in France for tax purposes are eligible for a 40% tax allowance.

Ratification of the cooptation of Ms Isabelle Kocher as a director (Resolution 4)

The Company's Board of Directors decided on February 7, 2012 to coopt Ms Isabelle Kocher as a director to replace Mr. Gérard Lamarche, who resigned, for the remaining term of office of her predecessor, i.e., until the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2014.

The General Meeting is therefore requested to ratify this cooptation.

Report of the Board of Directors on the resolutions presented to the Combined Ordinary and Extraordinary General Shareholders' Meeting to be held on May 24, 2012

Renewal of directorships and appointment of a director (Resolutions 5 to 10)

The General Meeting is requested, under Resolutions 5, 6, 8, 9 and 10, to renew the directorships of Messrs. Gérard Mestrallet, Jean-Louis Chaussade, Patrick Ouart, Amaury de Sèze and Harold Boël, which expire at the close of this meeting, for a four-year term.

The biographies of the directors mentioned above appear in Section 14.1.1 of the Company's 2011 Reference Document.

In addition, the General Meeting is requested to appoint for a four-year term Ms Delphine Ernotte Cunci as a director to replace Mr. Ezra Suleiman, whose mandate expires at the close of the General Meeting of May 24, 2012. Ms Ernotte Cunci is currently Executive Vice-President of France Telecom/Orange Group.

On March 15, 2012, your Board of Directors, following the advice on the Appointments and Compensation Committee, confirmed that Ms Ernotte Cunci was independent within the meaning of the AFEP/ MEDEF Corporate Governance Code.

Renewal of the mandates of the lead and deputy statutory auditors (Resolutions 11 and 12)

As the mandates of Ernst & Young and Auditex expire at the close of the General Meeting of May 24, 2012, the General Meeting is requested to renew their mandates as lead and deputy statutory auditors, respectively, for six-year terms.

Approval of related-party agreements (Resolution 13)

The General Meeting is requested to approve the statutory auditors' Special Report on the related-party agreements and commitments set out in Articles L. 225-38 et seq. of the French Commercial Code.

This report discloses the related-party agreements that continued during the fiscal year ended December 31, 2011, as well as the commitments set out in Resolution 14 submitted for your approval.

Approval of the commitments made to the benefit of Mr. Jean-Louis Chaussade (Resolution 14)

In 2009, in accordance with Article L. 225-42-1 of the French Commercial Code, the Company's General Shareholders' Meeting approved certain commitments made by the Company to the benefit of Mr. Jean-Louis Chaussade acting as the Company's CEO.

As Mr. Jean-Louis Chaussade's mandate as a director expires at the close of the General Meeting of May 24, 2012, the General Meeting is requested to renew it (purpose of Resolution 6). Given this renewal and in accordance with Article L. 225-42-1 of the French Commercial Code, the General Meeting is also requested to re-approve the commitments made by the Company as disclosed in the statutory auditors' Special Report.

Authorization to be granted to the Board of Directors to trade the shares of the Company (Resolution 15)

The General Meeting of May 19, 2011 authorized the Company, under Resolution 14, to trade its own shares for a period of 18 months.

Details of the use of this authorization granted to the Board of Directors in 2011 are set out in Section 21.1.3 of the 2011 Reference Document.

As the currently valid authorization expires in November 2012, you are requested to cancel the unused portion of this authorization and re-authorize the Board of Directors to trade the Company's own shares for a period of 18 months.

The terms and conditions of this new authorization are identical to those previously authorized and are as follows:

Maximum purchase price per share:

· Maximum holding: 10% of the share capital

· Maximum acquisition value: €1,275,584,550

This new authorization has the same purpose as the one you approved last year, and allows the Company to trade its own shares (including through the use of derivative financial instruments), except in the event of a public offering. The objectives of this share buyback program are in compliance with regulations and are detailed in Section 21.1.3 of the 2011 Reference Document.

RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY **GENERAL MEETING**

Reduction of the Company's share capital by cancellation of treasury shares (Resolution 16)

The authorization granted to the Board of Directors by the General Meeting of May 19, 2011 under Resolution 15 to reduce the Company's share capital by canceling shares expires in November 2012. This authorization was partially used by the Board of Directors on December 8, 2011 in the context of the offer reserved for employees known as Sharing 2011. Accordingly, the Board of Directors cancelled 8,370,000 Company shares leading to a capital reduction in the amount of €33,480,000.

The General Meeting is therefore requested to terminate the authorization granted by the General Meeting of May 19, 2011 and to grant the Board of Directors a new authorization for a 26-month period to reduce the Company's share capital by canceling all or part of the shares acquired by the Company itself, subject to a maximum of 10% of the share capital per 24-month period.

Report of the Board of Directors on the resolutions presented to the Combined Ordinary and Extraordinary General Shareholders' Meeting to be held on May 24, 2012

Financial delegations to be granted to the Board of Directors (Resolutions 17 to 25)

Resolutions 17 to 25 relate to financial delegations.

In past years, specifically at the General Meetings of May 20, 2010 and May 19, 2011, the Company's shareholders have regularly granted the Board of Directors the necessary delegations to, in particular, increase the Company's share capital, subject to various procedures and within the limits of the delegations granted, with or without shareholders' preferential subscription rights.

The delegations granted to the Board of Directors in 2010 and 2011 remain unused to date and will expire in July 2012. The General Meeting is therefore requested to renew the financial delegations for a 26-month period in order to give once again your Board of Directors the flexibility to proceed with issuances, depending on the market and on the Company's developments, and allowing the Board to take advantage, in a timely manner, of the various possibilities of issuing different types of securities as permitted by applicable regulations.

Notwithstanding the Board of Directors' policy of preferring recourse to capital increases with shareholders' preferential subscription rights, special circumstances often present themselves in which it is necessary and in the shareholders' own interests to waive their preferential subscription rights, primarily to provide the resources to make the necessary payments to compensate for contributions in kind constituted of equity securities, subject to a maximum 10% of share capital and for contributions in shares in a public exchange offer (Resolutions 22 and 24). Such a waiver also facilitates making private placements among qualified investors or a restricted circle of investors (Resolution 20).

These new delegations are in line with normal practices in terms of amount, cap and term, and will terminate the delegations granted by previous General Meetings. As required by law, the statutory auditors' Reports have been made available to you within the legally prescribed timeframe.

If your Board of Directors uses one or more delegations under Resolutions 17 to 25, it will report to you at the Ordinary General Meeting following such use on the definitive terms of the transaction and its impact on the situation of holders of equity securities or securities conferring access to the Company's share capital.

The delegations and authorizations detailed below include the option to subdelegate, as permitted by law and the Company's bylaws.

· Increase in the Company's share capital with shareholders' preferential subscription rights (Resolution 17)

The General Meeting of May 20, 2010 in its Resolution 15 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by issuing common stock and/ or any other securities conferring immediate and/or future access

to the Company's share capital, with shareholders' preferential subscription rights.

As part of the renewal of this delegation, the maximum nominal amounts would be as follows:

- €408 million (which, at December 31, 2011, represented approximately 20% of the share capital) with respect to the capital increases that may be carried out under this delegation, and
- €3 billion with respect to the issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that these amounts would count toward the overall nominal caps set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

· Increase in the Company's share capital without shareholders' preferential subscription rights (Resolution 18)

The General Meeting of May 20, 2010 in its Resolution 16 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by issuing common stock and/ or any other securities conferring immediate and/or future access to the Company's share capital, without shareholders' preferential subscription rights.

As part of the renewal of this delegation, the maximum nominal amounts would be as follows:

- €306 million (which, at December 31, 2011, represented approximately 15% of the share capital) with respect to the capital increases that may be carried out under this delegation, and
- €3 billion with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that (i) these amounts would count toward the nominal amount of the capital increases that may be carried out under Resolutions 20, 22 and 24, and that (ii) these amounts would count toward the overall nominal caps set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

The minimum issue prices specified in this delegation are as follows:

- · For shares: the weighted average share price of the three trading sessions immediately preceding the date on which the issue price is set, potentially reduced by a maximum discount of 5%.
- · For securities conferring access to capital: the sum immediately collected by the Company, plus any sum that may be collected subsequently by the Company, must for each share issued as a consequence of these securities issue be equal to at least the minimum issue price determined for the shares.

Report of the Board of Directors on the resolutions presented to the Combined Ordinary and Extraordinary General Shareholders' Meeting to be held on May 24, 2012

The Board of Directors may, as the case may be, establish a priority subscription period to the benefit of the Company's shareholders, for a duration and in accordance with procedures that it will decide upon in compliance with applicable laws and regulations.

Determination of the issue price subject to an annual maximum of 10% of the Company's share capital in the case of an issuance without shareholders' preferential subscription rights (Resolution 19)

The Ordinary General Meeting of May 20, 2010 in its Resolution 19 delegated its authority to the Board of Directors for a 26-month period to set the issue price of equity shares and/or securities, without shareholders' preferential subscription rights, up to a maximum of 10% of the Company's share capital per year.

As part of the renewal of this delegation, the minimum issue prices under this delegation will be as follows:

- For shares: the weighted average share price on Euronext Paris of the three trading sessions immediately preceding the date on which the issue price is set, potentially reduced by a maximum discount of 10%.
- · For securities conferring access to capital: the sum immediately collected by the Company, plus any sum that may be collected subsequently by the Company, must for each share issued as a consequence of these securities issue be equal to at least the minimum issue price determined for the shares.

Capital increase without shareholders' preferential subscription rights as part of an offer pursuant to Article L. 411-2 II of the French Monetary and Financial Code (Resolution 20)

The General Meeting of May 20, 2010 in its Resolution 17 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital as part of an offer known as a private placement (which is an offer reserved for qualified investors) of common stock and/or any other securities conferring immediate and/or future access to the Company's share capital, without shareholders' preferential subscription rights.

As part of the renewal of this delegation, the maximum nominal amounts would be as follows:

- €306 million (which, at December 31, 2011, represented approximately 15% of the share capital) with respect to capital increases that may be carried out under this delegation, and
- €3 billion with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that these amounts would count toward the nominal caps set forth in Resolution 18 (Capital increase without preferential subscription rights).

The minimum issue prices specified in this authorization are as follows:

- For shares: the weighted average share price of the three trading sessions immediately preceding the date on which the issue price is set, potentially reduced by a maximum discount of 5%.
- · For securities conferring access to capital: the sum immediately collected by the Company, plus any sum that may be collected subsequently by the Company, must for each share issued as a consequence of these securities issue be equal to at least the minimum issue price determined for the shares.
- Increase in the number of shares that may be issued in case of additional demands subject to a cap amounting to 15% of the initial issuance (Resolution 21)

The General Meeting of May 20, 2010 in its Resolution 18 delegated its authority to the Board of Directors for a 26-month period to increase the amount of the issuances with or without shareholders' preferential subscription rights, at the same price as the price for the initial issue but subject to a cap amounting to 15% of the initial issue.

This delegation of authority, in case there are additional subscription demands for share capital increases with or without shareholders' preferential subscription rights under Resolutions 17, 18 and 20, would allow the Board of Directors to increase the number of shares to be issued subject to limits and conditions provided by law, namely a maximum of 15% of the initial issue and subject to the cap applicable to the initial issue, within 30 days of the end of the subscription period and at the same price as the price of the initial issue.

As part of the renewal of this delegation, the maximum nominal amounts would be as follows:

- €408 million (which, at December 31, 2011, represented approximately 20% of the share capital) with respect to capital increases that may be carried out under this delegation, and
- €3 billion with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that these amounts would count toward the overall nominal caps set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

Report of the Board of Directors on the resolutions presented to the Combined Ordinary and Extraordinary General Shareholders' Meeting to be held on May 24, 2012

 Capital increase to compensate for contributions in kind consisting of equity securities or securities conferring access to share capital (Resolution 22)

The General Meeting of May 20, 2010 in its Resolution 20 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by issuing common stock and/ or any other securities conferring immediate and/or future access to the Company's share capital, with the possibility to waive the shareholders' preferential subscription rights, to compensate for contributions in kind in the form of equity securities or securities conferring access to the Company's share capital.

Share capital increases that may be carried out under this delegation must not exceed 10% of Company's share capital.

As part of the renewal of this delegation, the maximum nominal amounts would be as follows:

- €204 million with respect to capital increases that may be carried out under this delegation, and
- €3 billion with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that these amounts would count toward the nominal caps set forth in Resolution 18 (Capital increase without shareholders' preferential subscription rights).

· Capital increase by incorporating premiums, reserves, profits or any other amount that may be capitalized (Resolution 23)

The General Meeting of May 20, 2010 in its Resolution 21 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by incorporating premiums, reserves, profits or any other amount that may be capitalized, and issuing new securities, or increasing the nominal value of existing shares, or a combination of both methods.

As part of the renewal of this delegation, the maximum nominal amount of the capital increases that may be carried out under this delegation may not exceed the total amount of the sums that may be incorporated nor the nominal cap of €408 million or the countervalue of this amount, it being understood that this amount is independent and separate from the overall nominal cap of €408 million set forth in Resolution 29.

· Capital increase in payment of security contributions as part of a public exchange offer initiated by the Company (Resolution 24)

The General Meeting of May 20, 2010 in its Resolution 22 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by issuing common stock and/or any other securities conferring immediate and/or future access to the Company's share capital, without shareholders' preferential subscription rights, with a view to remunerating securities contributed as part of a public exchange offer initiated by the Company.

As part of the renewal of this delegation, the maximum nominal amounts would be as follows:

- €306 million with respect to capital increases that may be carried out under this delegation, and
- €3 billion with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that these amounts would count toward the nominal caps set forth in Resolution 18 (Capital increase without shareholders' preferential subscription rights).

Issue of mixed securities representing debt (Resolution 25)

The General Meeting of May 20, 2010 in its Resolution 23 delegated its authority to the Board of Directors for a 26-month period to issue mixed securities representing debts of the Company.

As part of the renewal of this delegation, the maximum nominal amounts issued under this delegation would count toward the €3 billion cap set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

Employee shareholding (Resolutions 26 to 28)

The purpose of Resolutions 26, 27 and 28 is to renew authorizations granted to the Board of Directors by previous General Meetings as part of developing employee shareholding at Group level by giving the Board the option to conduct further employee shareholding operations as and when it considers it appropriate to do so.

The objectives in this matter are:

- · To make employees full partners of the Group,
- To pay special attention to value creation as one of the meeting points between the interests of shareholders and the interests of employees,
- · To allow employees to be associated with the choices made by shareholders in the annual decision-making process.

Report of the Board of Directors on the resolutions presented to the Combined Ordinary and Extraordinary General Shareholders' Meeting to be held on May 24, 2012

 Share capital increase reserved for members of a savings plan, with a waiver of the shareholders' preferential subscription rights in favor of those members (Resolution 26)

The General Meeting of May 20, 2010 in its Resolution 24 delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital, without shareholders' preferential subscription rights; such increase to be reserved for members of the corporate savings plan put in place at the level of the SUEZ ENVIRONNEMENT Group.

As part of the offer reserved for employees known as SHARING 2011, 6,977,062 shares reserved for employees were issued on December 8, 2011 by the Board of Directors under the abovementioned delegation. As part of the same operation, the Board cancelled securities as indicated above in the summary relating to Resolution 16.

As part of the renewal of this delegation, for a 26-month period, the maximum nominal amounts would be as follows:

- 10 million securities with respect to capital increases that may be carried out under this delegation; such cap would thereby be raised from 7 to 10 million securities, taking into account the oversubscriptions acknowledged pursuant to SHARING 2011, and
- €3 billion with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that these amounts would count toward the overall nominal caps set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

The issue price of new shares or securities conferring access to share capital will be at least equal to 80% of the average share price quoted on Euronext Paris for the 20 trading sessions immediately preceding the day on which the decision is made to set the opening date of the subscription period for the capital increase reserved for members of a corporate savings plan (the "Reference Price").

As part of this delegation, the Board of Directors may, if it considers it appropriate, reduce or eliminate the aforementioned discount applied to the subscription price of shares thus issued, subject to legal and regulatory limitations, in order to comply with locally applicable legal, accounting, tax and social systems.

Pursuant to this delegation, the Board of Directors will be authorized to freely allocate to beneficiaries, in addition to shares or securities conferring access to share capital to be subscribed in cash, shares or securities granting access to share capital to be issued or already issued, as a substitute for all or part of the Reference Price-based discount and/or as a company contribution, with the understanding that the benefit created by this allocation shall not exceed the legal or regulatory limitations pursuant to Articles L. 3332-18 et seq. and L. 3332-11 et seq. of the French Labor Code.

 Share capital increase, with a waiver of the shareholders' preferential subscription rights in favor of the class(es) of named beneficiaries, as part of the implementation of the SUEZ ENVIRONNEMENT Group international shareholding and savings plans (Resolution 27)

The General Meeting of May 19, 2011 in its Resolution 16 delegated its authority to the Board of Directors for an 18-month period to increase the share capital, with a waiver of the shareholders' **preferential subscription rights** in favor of all entities whose sole purpose is to subscribe, hold and sell shares of the Company or any other financial instrument as part of the implementation of one of the various formulas of the SUEZ ENVIRONNEMENT Group's international employee shareholding plan.

As part of the offer reserved for employees known as SHARING 2011, 2,918,976 shares reserved for employees were issued on December 8, 2011 by the Board of Directors under the abovementioned delegation.

As part of the renewal of this delegation, for an 18-month period, the maximum nominal amounts would be as follows:

- €3 million securities with respect to capital increases that may be carried out under this delegation, and
- €3 billion with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital under this delegation,

it being understood that these amounts would count toward the overall nominal caps set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

You are also requested to approve the waiver of shareholders' preferential subscription rights applicable to the corresponding shares issued and to reserve the right to subscribe to them to the class of beneficiaries satisfying the following characteristics:

- (a) Employees and corporate officers of foreign SUEZ ENVIRONNEMENT Group companies linked to the Company under the conditions set out in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code, in order to allow them to subscribe for the Company's share capital on economically equivalent terms to those offered to members of one or more corporate savings plans as part of a capital increase undertaken pursuant to Resolution 26 of this meeting, and/or
- (b) Mutual funds (OPCVM) or other incorporated or unincorporated entities of employees' shareholding invested in the Company's shares whose unitholders or shareholders consist of the persons cited in sub-paragraph (a) of this paragraph, and/or
- (c) 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 sub-paragraph (a) of this paragraph, provided that the authorized

Report of the Board of Directors on the resolutions presented to the Combined Ordinary and Extraordinary General Shareholders' Meeting to be held on May 24, 2012

person's subscription in accordance with this resolution would be necessary or beneficial in order to allow the above-cited employees or corporate officers to benefit from employee shareholding or savings plans with economic benefits equivalent or similar to the plans from which other SUEZ ENVIRONNEMENT Group employees benefit.

To this end, we ask you to authorize the Board of Directors to select the said entities.

The issue price of new shares will be equal to the price of shares issued as part of the next share capital increase in favor of employees who are members of a corporate savings plan, pursuant to Resolution 26.

As part of this delegation, the Board of Directors may, if it considers it appropriate, reduce or eliminate the aforementioned discount applied to the subscription price of shares thus issued, subject to the legal and regulatory limitations, in order to comply with locally applicable legal, accounting, tax and social systems.

· Authorization to be granted to the Board of Directors to allocate free (bonus) shares (Resolution 28).

The General Meeting of May 20, 2010 in Resolution 26 authorized the Board of Directors to allocate, free of charge, on one or more occasions, existing shares or shares to be issued by your Company, to the benefit of the Company's employees as well as corporate officers of the Company and of companies or organizations affiliated with it under the conditions set out in Article L. 225-197-2 of the French Commercial Code. Such authorization had been granted for a 24-month period.

The abovementioned authorization was used by the Board of Directors on December 8, 2011 as part of (i) the free share plans of December 2010 and March 2012, pursuant to which 829,080 shares and 828,710 shares were allocated, respectively, and (ii) the offer reserved for employees known as SHARING 2011, pursuant to which 101,211 shares were allocated to international employees.

As part of the renewal of this authorization, the total number of free shares that may be granted may not exceed 1.5% of the share capital existing on the date that the Board of Directors decides to grant the shares.

The General Meeting is asked to consent to make this authorization to the Board of Directors valid for a 38-month period instead of the 24-month period under the preceding authorization.

Your Board of Directors wishes to draw your attention to the fact that, under this authorization, free shares cannot be granted to an employee or corporate officer who holds more than 10% of the Company's share capital, and that the total free shares granted to corporate officers must not exceed 5% of the total amount granted.

The maximum nominal value of share capital increases that may be carried out will count toward the €408 million overall cap set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

The allocation of Company shares to beneficiaries will be final after a minimum two-year vesting period for all or some of the shares allocated, and, with regard to corporate officers and managers, will need to be subject to Group performance criteria assessed over the entire vesting period and subject to beneficiaries satisfying Group employment conditions according to terms and conditions determined by the Board of Directors.

With the exception of the Global Plans, which are not necessarily subject to Company performance criteria, the grants would be conditional upon fulfilling multi-year performance criteria. These may be internal criteria linked to the Group's financial indicators, which would be in line with the Group's communications to the market. These may also be external criteria linked, for example, to the average share price performance compared to a benchmark or reference.

Indicators that are derived from key indicators, or a combination of those indicators, or other indicators underlying them could also be

The combinations of these various criteria can differ depending on the groups of beneficiaries.

Finally, grants to the Company's corporate officers may not exceed 5% of the grants made under this authorization.

The mandatory holding period for which the beneficiaries must hold the allocated shares will be set at a minimum of two years, starting from the date that the shares are definitively allocated (fully vested). For allocated shares for which the vesting period is set at four years, the mandatory minimum holding period may be waived to allow the shares to be freely tradable from the date that they are definitively allocated (fully vested).

Overall cap applicable to the delegations and authorizations (Resolution 29)

In the interests of enhanced transparency, the General Meeting is requested to adopt a special resolution setting the overall amount of capital increases that may be carried out immediately and/or in the future under Resolutions 17, 18, 20 to 22, and 24 to 28, or under any similar resolution(s) that may supersede the said resolutions during their term. The General Meeting is therefore requested to resolve that this overall amount may not exceed:

a) with respect to shares, an overall nominal amount of €408 million (which, at December 31, 2011, represented approximately 20% of the share capital) on the issue date, and

Report of the statutory auditors on related party agreements and commitments

b) with respect to debt securities conferring access to the Company's capital and mixed securities representing debt, an overall nominal amount of €3 billion on the issue date.

To these caps must be added (i) the maximum nominal amount of capital increases by incorporation of premiums, reserves, profits or other amounts that may be capitalized under Resolution 23, and (ii) the nominal amount of any additional shares to be issued to comply with applicable laws and regulations and any contractual stipulations so as to preserve the rights of the holders of the securities or other rights conferring access to the Company's share capital.

Delegation of powers for formalities (Resolution 30)

The General Meeting is requested to authorize any holder of an original, a copy or an extract of the minutes of the General Meeting to exercise all formalities relating to the General Meeting of May 24, 2012.

Feel free to contact your Board of Directors for any further information or explanations you might need.

The Board of Directors



26.3 REPORT OF THE STATUTORY AUDITORS ON RELATED PARTY 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

We hereby inform you that we have not been advised of any agreement or commitment authorized in the course of the year to be submitted to the General Meeting of shareholders for approval in accordance with article L. 225-38 of the French commercial code (Code de commerce).

AGREEMENTS AND COMMITMENTS AUTHORIZED AFTER **CLOSING**

We have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors after closing

With Mr Jean-Louis Chaussade, Chief Executive Officer and director of SUEZ ENVIRONNEMENT COMPANY

a. Nature, purpose and conditions

At its March 15, 2012 meeting, the Board of Directors of your company, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as Chief Executive Officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, 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. This agreement replaces the agreement previously authorized by your Board of Directors at their October 28, 2008 and December 18, 2008 meetings.

Report of the statutory auditors on related party agreements and commitments

Three performance criteria were decided upon:

- the average growth in revenue as provided for in the mediumterm 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 of the average growth of the CAC 40 stock market index and the DJ Eurostoxx Utilities 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 its March 15, 2012 meeting, the Board of Directors of your company, subject to the renewal of the mandate of Mr Jean-Louis Chaussade

as Chief Executive Officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, entitled Mr Jean-Louis Chaussade to benefit from the supplementary retirement plans applicable to the employees of SUEZ ENVIRONNEMENT COMPANY. This agreement replaces the agreement previously authorized by your Board of Directors at their October 28, 2008 and December 18, 2008 meetings.

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 its March 15, 2012 meeting, the Board of Directors of your company, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as Chief Executive Officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, 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. This agreement replaces the agreement previously authorized by your Board of Directors at its October 28, 2008 meeting.

Agreements and commitments already approved by the General Meeting of shareholders

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

a) Whose implementation continued during the year

In accordance with article R. 225-30 of the French commercial code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of shareholders in prior years continued 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 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.

b. 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 €5,180 in 2011.

2. With GDF SUEZ

Nature and purpose

Amendment to the shareholders' agreement of SUEZ ENVIRONNEMENT COMPANY.

Report of the statutory auditors on related party agreements and commitments

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 whollyowned 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.

Nature, purpose

Financing agreement with GDF SUEZ group.

Conditions

With the financing framework agreement signed on June 5, 2008 between SUEZ, SUEZ ENVIRONNEMENT and SUEZ ENVIRONNEMENT COMPANY expiring on December 31, 2010, SUEZ ENVIRONNEMENT COMPANY requested, in advance, that it be extended beyond this date, particularly to maintain a backup line and to strengthen its liquidity sources and credit rating.

This extension of the support granted to SUEZ ENVIRONNEMENT was part of a framework for extending agreements signed in 2008 and for the absence of liquidity concerns for SUEZ ENVIRONNEMENT (estimated at 2.5 billion euros at the end of 2010).

The new agreement between GDF SUEZ, GDF SUEZ Finance and SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT sets the main terms of financing the SUEZ ENVIRONNEMENT COMPANY group for the 2011-2013 period. Financing will be provided by GDF SUEZ Finance or any other entity of the GDF SUEZ group and may be granted to any entity of the SUEZ ENVIRONNEMENT COMPANY group, SUEZ ENVIRONNEMENT COMPANY or SUEZ ENVIRONNEMENT agreeing to act as guarantor in the event where financing is granted to one of their subsidiaries. The total overall financing granted shall be limited to the aggregate amount of SUEZ ENVIRONNEMENT COMPANY group financing requirements, as agreed annually between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY. Loans shall be granted at market terms and conditions, depending on the term of the loan.

At its October 27, 2010 meeting, your Board of Directors authorized the implementation with GDF SUEZ of a credit line limited to 350 million euros.

The new credit line took effect on January 1, 2011 and will 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 base points of the unused amount has been agreed between January 1, 2011 and July 15, 2013 corresponding to the credit line using period.

On December 31, 2011, the SUEZ ENVIRONNEMENT COMPANY group disposed of booked loans and current account advances amounting to 148.2 million euros in total and undrawn credit lines of 350 million euros granted by the GDF SUEZ group. Net financial expenses booked by the SUEZ ENVIRONNEMENT COMPANY group amounted to 7.4 million euros in 2011.

With SUEZ

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), in 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.

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.

Report of the statutory auditors on related party agreements and commitments

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.

Which were not implemented during the year

In addition, we have been advised that the following agreements and commitments which were approved by the General Meeting of shareholders in prior years were not implemented during the year.

With Mr Jean-Louis Chaussade, Chief Executive Officer and director of SUEZ ENVIRONNEMENT COMPANY

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 mediumterm 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.

Courbevoie and Paris-La Défense, March 16, 2012

The statutory auditors French original signed by

MAZARS **ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson Thierry Blanchetier Isabelle Massa Pascal Macince

Reports of the statutory auditors to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012



26.4 REPORTS OF THE STATUTORY AUDITORS TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF **MAY 24, 2012**

26.4.1 Statutory auditors' report on the reduction in capital (sixteenth 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 the reduction in capital by the 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 authorized, for a period of twenty-six months starting on the date of the present shareholders' meeting, to proceed with the cancellation of 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 in accordance with 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 that the terms and conditions for the proposed reduction in capital, which should not compromise equality among the shareholders, are fair.

We have no matters to report on the terms and conditions of the proposed reduction in capital.

Courbevoie and Paris-La Défense, March 16, 2012

The statutory auditors French original signed by

MAZARS **ERNST & YOUNG et Autres**

Thierry Blanchetier Isabelle Massa Charles-Emmanuel Chosson Pascal Macioce

Reports of the statutory auditors to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

26.4.2 Statutory auditors' report on the issue of shares or marketable securities with or without cancellation of preferential subscription rights (seventieth, eighteenth, nineteenth, twentieth, twenty-first, twenty-second and twenty-fourth resolutions)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 and L. 225-135 et seq. of the French commercial code (Code de commerce), we hereby report on the proposals to authorize your Board of Directors to decide on whether to proceed with the issues of shares or marketable securities, operations upon which you are called to vote.

Your Board of Directors proposes, on the basis of its report, that:

- it be authorized, for a period of twenty-six months, to decide on whether to proceed with the following operations and to determine the final conditions of these issues and proposes, if applicable, to cancel your preferential subscription rights:
 - · the issue of ordinary shares and/or marketable securities giving access to the capital in the company, without cancellation of the preferential subscription right (seventeenth resolution),
 - · the issue of ordinary shares and/or marketable securities giving access to the capital in the company, with cancellation of the preferential subscription right by public offering (eighteenth
 - · the issue of ordinary shares and/or marketable securities giving access to the capital in the company, with cancellation of the preferential subscription right by offers provided by II of article L. 411-2 of the French monetary and financial code (Code monétaire et financier), representing an amount not exceeding annually 20% of its total capital (twentieth resolution),
 - · the issue of ordinary shares and/or marketable securities giving access to ordinary shares in case of exchange public offering initiated by your company (twenty-fourth resolution),
- · that it be authorized, under the nineteenth resolution and within the implementation of the delegations provided by the eighteenth and twentieth resolutions, to determine the issue price within the legal annual limit of 10% of the total capital,
- · that it be delegated, for a period of twenty-six months, the power to determine the conditions of the issue of ordinary shares and marketable securities giving access to ordinary shares, in order to pay capital investment in the company and made up of capital

shares or marketable securities giving access to the capital (twenty-second resolution), within the limit of 10% of the total capital.

The nominal amount of the issues of shares that can be implemented immediately or at a later date may not exceed €408,000,000 under the seventeenth resolution. Within the limit of €306,000,000 common to the eighteenth, twentieth, twenty-second and twenty-fourth resolutions, the nominal amount of the issues of shares that can be implemented immediately or at a later date may not exceed €306,000,000 under each of the eighteenth, twentieth and twenty-fourth resolutions and €204,000,000 under the twenty-second resolution.

The nominal amount of the issues of marketable securities that may be achieved may not exceed €3,000,000,000 under the seventeenth resolution. Within the limit of €3,000,000,000 common to the eighteenth, twentieth, twenty-second and twenty-fourth resolutions, the nominal amount of the issues of shares that may be achieved may not exceed €3,000,000,000 under each of the eighteenth, twentieth, twenty-second and twenty-fourth resolutions.

The overall nominal amount of the issues of shares that may be achieved immediately or at a later date may not exceed €408,000,000 under the seventeenth, eighteenth and twentieth to twenty-eighth resolutions. The overall nominal amount of the issues of marketable securities that may be achieved may not exceed €3,000,000,000 under the seventeenth, eighteenth, twentieth to twenty-second and twenty-fourth to twenty-eighth resolutions.

These ceilings take into account the additional number of shares and marketable securities made available through the implementation of the delegations presented in the seventeenth, eighteenth and twentieth resolutions, in accordance with article L. 225-135-1 of the French commercial code (Code de commerce), if you adopt the twenty-first resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225-113 et seg. 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 other information relating to these operations provided in the report.

Reports of the statutory auditors to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

We have 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) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to these operations and the methods used to determine the issue price of the capital securities to be issued.

Subject to a subsequent examination of the conditions for the issues that would be decided, we have no matters to report as to the methods used to determine the issue price of the capital securities to be issued provided in the Board of Directors' report with respect to the eighteenth, nineteenth and twentieth resolutions.

Moreover, as the methods used to determine the issue price of the capital securities to be issued in accordance with the seventeenth, twenty-second and twenty-fourth resolutions are not specified in that report, we cannot report on the choice of constituent elements used to determine this issue price.

As the final conditions for the issues have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights proposed in eighteenth, nineteenth, twentieth, twenty-second and twenty-fourth resolutions.

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 these authorizations for the issue of marketable securities giving access to the capital and in case of cancellation of preferential subscription rights.

Courbevoie and Paris-La Défense, March 16, 2012

The statutory auditors French original signed by

MA7ARS **ERNST & YOUNG et Autres**

Isabelle Massa Thierry Blanchetier Charles-Emmanuel Chosson Pascal Macince

Reports of the statutory auditors to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

26.4.3 Statutory auditors' report on the issue of mixed equity securities representing debt securities (twenty-fifth resolution)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 228-92 of the French commercial code (Code de commerce), we hereby report on the proposal to authorize your Board of Directors to decide whether to proceed with an issue of mixed equity securities representing debt securities, an operation upon which you are called to vote. The maximum nominal amount of these issues will not exceed € 3,000,000,000, taking into account that this amount will be put on the global nominal amount defined in the twenty-ninth resolution.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of twenty-six months, to decide on whether to proceed with this operation. 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 et seq. of the French

commercial code (Code de commerce). Our role is to report to you on the fairness of the financial information taken from the accounts and on other information relating to the issue provided in the report.

We have 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) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions.

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 Paris-La Défense, March 16, 2012

The statutory auditors French original signed by

MAZARS **ERNST & YOUNG et Autres**

Thierry Blanchetier Isabelle Massa Charles-Emmanuel Chosson Pascal Macioce

Reports of the statutory auditors to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

26.4.4 Statutory auditors' report on the issue of shares or other equity securities reserved to members of the company savings plans (twenty-sixth resolution)

To the Shareholders

In our capacity as statutory auditors of your company and in compliance with articles L. 228.92 and L. 225-135 et seq. of the French commercial code (Code de commerce), we hereby report on the proposal to authorize your Board of Directors to decide whether to proceed with the issue of shares or other equity securities, with cancellation of preferential subscription rights, reserved to members of one or several company savings plans (or to any other plan whose members would be entitled to a reserved share capital increase under equivalent conditions in accordance with articles L. 3332-18 et seq. of the French labor code (Code du travail)) which could be implemented within the group comprised of your company and the French and foreign entities included in the scope of consolidation of its financial statements, in application of article L. 3344-1 of the French labor code (Code du travail), for a maximum nominal amount of €40,000,000, an operation upon which you are called to vote.

The maximum nominal amount of the issues of shares or marketable securities that may be achieved will be put on the global maximum amounts of €408,000,000 and €3,000,000,000 respectively set in the twenty-ninth resolution.

This operation is submitted for your approval in accordance with articles L. 225-129-6 of the French commercial code (Code de commerce) and articles L. 3332-18 et seq. of the French labor code (Code du travail).

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of twenty-six months, to decide on whether to proceed with one or several issues and proposes to cancel

your preferential subscription rights to the shares and marketable 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 and seq. 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 other information relating to the issue provided in the report.

We have 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) for this type of engagement. These procedures consisted in verifying the information relating to this operation provided in the Board of Directors' report and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price for the equity securities to be issued provided in the Board of Directors' report.

As the final conditions of the issues have not yet been determined, we cannot report on these conditions 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 Paris-La Défense, March 16, 2012

The statutory auditors French original signed by

MA7ARS FRNST & YOUNG et Autres

Thierry Blanchetier Isabelle Massa Charles-Emmanuel Chosson Pascal Macioce

Reports of the statutory auditors to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

26.4.5 Statutory auditors' report on the issue of shares or marketable securities with cancellation of preferential subscription rights (twenty-seventh resolution)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 and L. 225-135 et seq. of the French commercial code (Code de commerce), we hereby report on the proposal to authorize your Board of Directors to decide on whether to proceed with an issue of shares or other marketable securities giving access to capital, with cancellation of preferential subscription rights, reserved for (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 €12,000,000, an operation upon which you are called to vote.

The maximum nominal amount of the issues of shares and marketable securities that may be achieved will be put on the global maximum amounts of €408,000,000 and €3,000,000,000 respectively set in the twenty-ninth resolution.

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 shares and marketable 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 and seq. 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 this report.

We have 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) 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 to be issued.

Subject to a subsequent examination of the conditions for the issues that would be decided, we have no matters to report as to the methods used to determine the issue price of the capital securities to be issued provided in the Board of Directors' report.

As the final conditions for the issues have not yet been determined, we cannot report on these conditions 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 Paris-La Défense, March 16, 2012

The statutory auditors French original signed by

MAZARS

ERNST & YOUNG et Autres

Thierry Blanchetier

Isabelle Massa

Charles-Emmanuel Chosson

Pascal Macioce

Reports of the statutory auditors to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012

26.4.6 Statutory auditors' report on the free allocation of shares or shares to be issued (twenty-eighth resolution)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 225-197-1 of the French commercial code (Code de commerce), we hereby report on the proposed allocation of shares or shares to be issued to employees and directors of your company or of companies which are related to it, an operation upon which you are called to vote. The maximum nominal amount of the increases in capital will be put on the global nominal amount defined in the twenty-ninth resolution.

Your Board of Directors proposes that, on the basis of its report, it be authorized, for a period of thirty-eight months, to allocate, for free, existing shares or shares to be issued.

It is the responsibility of the Board of Directors to prepare a report on the proposed operation. Our role is to report on any matters relating to the information provided to you regarding the proposed operation.

We have 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) for this type of engagement. These procedures consisted mainly in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations.

We have no matters to report on the information provided in the Board of Directors' report relating to the proposed free allocation of shares.

Courbevoie and Paris-La Défense, March 16, 2012

The statutory auditors French original signed by

MAZARS ERNST & YOUNG et Autres

Thierry Blanchetier Isabelle Massa Charles-Emmanuel Chosson Pascal Macioce



RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

RESOLUTION 1

(The purpose of this resolution is to approve the Company's annual financial statements for the fiscal year ended December 31, 2011)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Management Report and the statutory auditors' Report on the annual financial statements for the fiscal year ended December 31, 2011, approves these financial statements as presented, as well as the transactions reflected in these financial statements and summarized in these reports, which show a net profit of €312,176,792.56.

Pursuant to Article 233 quater of the French General Tax Code, the General Meeting acknowledges that the Company's financial statements for the fiscal year ended December 31, 2011 do not report any of the expenditures and charges set out in item 4 of Article 39 of the French General Tax Code that are not deductible from taxable income for the fiscal year ended December 31, 2011.

RESOLUTION 2

(The purpose of this resolution is to approve the consolidated financial statements for the fiscal year ended December 31, 2011)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Management Report and the statutory auditors' Report on the consolidated financial statements for the fiscal year ended December 31, 2011, approves the consolidated financial statements as presented, as well as the transactions reflected in these financial statements and summarized in these reports.

RESOLUTION 3

(The purpose of this resolution is to allocate the income for the fiscal year ended December 31, 2011)

The General Meeting, acting in accordance with quorum and majority requirements applicable to ordinary General Meetings and having

deliberated and reviewed the Board of Directors' Management Report and the statutory auditors' Report on the annual financial statements for the fiscal year ended December 31, 2011, decides to allocate all of the net profit from the fiscal year, which amounts to €312,176,792.56, plus the prior balance carried forward of €173,688,179.60, which constitutes a distributable income of €485,864,972.16, as follows:

Dividend distributed for the 2011 fiscal year	€331,651,988.85	
(dividend of €0.65 per share)		
Allocation of the balance to retained earnings	€154,212,983.31	

The dividend will be detached from the share on May 28, 2012 and paid out on May 31, 2012.

The amount of €331,651,988.85 is based on the number of SUEZ ENVIRONNEMENT COMPANY shares existing as of December 31, 2011, i.e., 510,233,829 shares, and the final amount paid will take into account the number of treasury 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 allocated to "Other reserves."

In accordance with Article 243 bis of the French General Tax Code, the General Meeting acknowledges the dividend amounts paid in the last three fiscal years:

- Distribution of an interim dividend of €0.65 per share (total of €317,621,889) decided upon by the Board of Directors on May 26, 2009 and paid out on June 3, 2009, and the balance of the dividend of €0.65 per share (total of €318,304,389) decided upon by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 20, 2010.
- Distribution of a dividend of €0.65 per share (total of €318,304,389.00) decided upon by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 19, 2011.

These dividends were eligible for a 40% tax allowance or an optional flat-rate withholding tax, as described below.

In accordance with Article 158, 3-2° of the French General Tax Code, individuals residing 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, pursuant to Article 117 quater of the French General Tax Code, these persons could have opted, or will be able to opt, for the flat-rate withholding tax. This option must be expressed at the latest at the time revenues are collected.

RESOLUTION 4

(The purpose of this resolution is to ratify the cooptation of Ms Isabelle Kocher as a director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, ratifies the cooptation of Ms Isabelle Kocher as a director, as decided by the Board of Directors' meeting of February 7, 2012, for the remaining term of her predecessor Mr. Gérard Lamarche, i.e. until the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2014.

RESOLUTION 5

(The purpose of this resolution is to renew the directorship of Mr. Gérard Mestrallet)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Mr. Gérard Mestrallet's term as a director expires today, decides to renew his mandate 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 ending December 31, 2015.

RESOLUTION 6

(The purpose of this resolution is to renew the directorship of Mr. Jean-Louis Chaussade)

The General Meeting, acting in accordance with the guorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Mr. Jean-Louis Chaussade's term as a director expires today, decides to renew his mandate 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 ending December 31, 2015.

RESOLUTION 7

(The purpose of this resolution is to appoint Ms Delphine Ernotte Cunci as a director)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, decides to appoint Ms Delphine Ernotte Cunci as a director for a term of four (4) years, to expire at the conclusion of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2015.

Ms Ernotte Cunci informed the Company in advance that she would accept the directorship and that it would involve no conflict of interest.

RESOLUTION 8

(The purpose of this resolution is to renew the directorship of Mr. Patrick Ouart)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Mr. Patrick Ouart's term as a director expires today, decides to renew his mandate 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 ending December 31, 2015.

RESOLUTION 9

(The purpose of this resolution is to renew the directorship of Mr. Amaury de Sèze)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Mr. Amaury de Sèze's term as a director expires today, decides to renew his mandate 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 ending December 31, 2015.

RESOLUTION 10

(The purpose of this resolution is to renew the directorship of Mr Harold Boël)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Mr. Harold Boël's term as a director expires today, decides to renew his mandate for a term of four (4) years, to expire

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at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2015.

RESOLUTION 11

(The purpose of this resolution is to renew the mandate of Ernst & Young as lead statutory auditors)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Ernst & Young's mandate as statutory auditors expires today, decides to renew its mandate for a term of six (6) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

The statutory auditors informed the Company in advance that they would accept the mandate renewal.

RESOLUTION 12

(The purpose of this resolution is to renew the mandate of Auditex as deputy statutory auditors)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Auditex's mandate as statutory auditors expires today, decides to renew its mandate for a term of six (6) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

The statutory auditors informed the Company in advance that they would accept the mandate renewal.

RESOLUTION 13

(The purpose of this resolution is to approve the related-party agreements and commitments governed by Articles L. 225-38 et seq. of the French Commercial Code)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the statutory auditors' Special Report on the agreements and commitments governed by Articles L. 225-38 *et seq.* of the French Commercial Code, approves the terms of the said report and acknowledges that the regulated agreements and commitments entered into and approved by previous General Meetings and continued during the 2011 fiscal year.

RESOLUTION 14

(The purpose of this resolution, pursuant to Articles L. 225-38 et seq. of the French Commercial Code and in particular Article L. 225-42-1 thereof, is to approve the commitments made to the benefit of Mr. Jean-Louis Chaussade)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to ordinary General Meetings and having deliberated and reviewed the statutory auditors' Special Report on the commitments governed by Articles L. 225-38 and L. 225-42-1 of the French Commercial Code, approves the Company's commitments made to the benefit of Mr. Jean-Louis Chaussade, which are disclosed in this report.

RESOLUTION 15

(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 and having deliberated and reviewed the Board of Directors' Report, and in compliance with the provisions of the French Commercial Code, specifically Articles L. 225-209 *et seq.*, 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 Market Authority (AMF), authorizes the Board of Directors, with the option to subdelegate as permitted by law and the Company bylaws, to acquire the Company's shares or cause them to be acquired so as to:

- Ensure liquidity and promote the secondary market for the Company's shares using the services of an investment service provider acting independently pursuant to a liquidity contract that complies with the ethics charter recognized by the French Financial Market Authority (AMF); or
- Subsequently cancel all or some of the shares thus purchased in accordance with Article L. 225-209 of the French Commercial Code within the framework of a capital reduction to be adopted or authorized by the General 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 set out 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 et seq. of the French Labor Code or under the terms of shareholder plans governed by the laws of other countries; or
- Keep and subsequently deliver shares (to exchange or make payments, etc.) as part of external growth operations, provided that the maximum amount of shares purchased in view of keeping them and subsequently delivering them for payment or exchange as part of a merger, split-up or contribution plan does not exceed 5% of the share capital; or

- · The covering of securities conferring access to the allotment of the Company's shares by delivering them, following the exercise of rights attached to securities conferring access to the Company's shares by redemption, conversion, exchange, presentation of a warrant or any other means; or
- · Pursue, more generally, any other goal that is or becomes authorized by law or regulations, or engage in any market practice that is or becomes approved by financial market regulators, provided that the Company's shareholders are formally notified thereof via a press release.

Share purchase volumes are subject to the following limits:

- The number of shares acquired during the share buyback program shall not at any time exceed 10% of the shares that make up the Company's share capital, with this percentage applying to a share capital adjusted in accordance with transactions impacting it following this General Meeting, and, with regard to the particular case of shares that are bought under a liquidity contract, the number of shares used to calculate the 10% limit corresponds to the number of shares purchased less the number of shares resold during the term of the authorization.
- The number of shares that the Company holds at any time must not exceed 10% of the shares that make up the Company's share capital on the relevant date, on the understanding that this share capital includes any adjustments resulting from transactions impacting it following this General Meeting.

The General Meeting decides that the maximum purchase price per share is €25.

Consequently, for guidance and 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 51,023,382 and the maximum overall amount allocated to the above-mentioned authorized share buyback program at €1,275,584,550, calculated on the basis of the Company's share capital as of December 31, 2011 consisting of 510,233,829 shares.

Shares may be purchased, sold, exchanged or transferred on one or more occasions by any means, on a regulated market, via a multilateral trading system over-the-counter or through a systematic internalizer, including a public offering 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, 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 offering on the Company's shares or initiated by the Company in accordance with the legal provisions in force.

In the event of a change in the par value of the Company shares, the General Meeting grants the Board of Directors the power (including the power to subdelegate) to increase the share capital through the incorporation of reserves, bonus share allocations, splitting or regrouping of shares, distribution of reserves or any other assets, share capital amortization or any other operation involving its shareholders' equity (capitaux propres) in order to adjust the aforementioned maximum purchase price to take into account the impact of these operations on the share price.

The General Meeting grants all powers to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to implement this authorization, in particular to determine the timeliness of launching a share buyback program and to specify, if necessary, the terms and procedures for carrying out the share buyback program, and specifically to submit any market order, enter into any agreements for appointing a registrar for purchases and sales of shares, undertake any formalities and make statements to any bodies, including the AMF, and, in general, to do whatever is necessary in this matter.

The General Meeting also grants all powers to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws and within the legal and regulatory limits, to make any permitted reallocations of the purchased shares in accordance with one or more objectives of the share buyback program, or to sell them, on the stock market or over-the-counter, it being understood that such allocations and sales may involve shares repurchased under previous

This authorization is granted for a term of eighteen (18) months, from the date of this meeting. It supersedes, as of today, all previous authorizations having the same purpose, and therefore any unused portion of the previous authorization granted to the Board of Directors by the Combined Ordinary and Extraordinary General Shareholders' Meeting of May 19, 2011 in its Resolution 14.

RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

RESOLUTION 16

(The purpose of this resolution is to authorize the Board of Directors to reduce the Company's share capital by canceling treasury stock)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary general meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, in accordance with Articles L. 225-209 et seg. 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 considers appropriate, by canceling all or some of the shares acquired by the Company itself, in accordance with Resolution 15 submitted to this General Meeting or as part of a previous share buyback program authorization granted by a General Shareholders' Meeting, up to a maximum of 10% of the Company's share capital (as may be adjusted to take into account any transactions on the Company's share capital after the date of this meeting) per twenty-four (24)-month periods, on the understanding that this percentage will be calculated on the day the decision is made by the Board of Directors.
- 2. Grants full powers to the Board of Directors, including the option to subdelegate under conditions provided by law, to:
- · Decide on the share capital reduction(s),
- · Decide the final amount, determine the terms and conditions thereof and record its implementation,
- · Allocate the difference between the book value of the cancelled shares and their nominal amount to all items corresponding to reserves and premiums,
- · Amend the bylaws correspondingly, and
- In general, do whatever is necessary in this matter.
- 3. Resolves that this authorization supersedes, as of today, all previous authorizations having the same purpose, and therefore any unused portion of the previous authorization granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 19, 2011 in its Resolution 15.

This authorization is granted for a term of twenty-six (26) months as of the date of this meeting.

RESOLUTION 17

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital with shareholders' preferential subscription rights by issuing equity securities and/or any securities conferring an immediate or future right to the Company's share capital)

The General Meeting, acting in accordance with the guorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, and pursuant to Articles L. 225-129 et seq. and L. 228-91 et seq., and specifically Articles L. 225-129-2 and L. 228-92 of the French Commercial Code:

- 1. Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to increase the share capital on one or more occasions, in the proportions and at the times it considers appropriate, in France and/or abroad, in euros, in foreign currency or in any other accounting unit referenced to a basket of currencies, by issuing, with shareholders' preferential subscription rights common shares and/or any securities sold or given free of charge that confer rights, by any means, immediately and/or in the future, to the Company's share capital, and these shares and other securities may be subscribed for either in cash or in exchange for other liquid and current receivables.
- 2. Resolves that this delegation specifically excludes the issuance of preferred shares and securities that confer access to preferred shares.
- Resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed €408 million (which, at December 31, 2011, represented about 20% of the share capital) or the counter-value of this amount, it being understood that this nominal maximum amount counts toward the €408 million overall nominal cap set forth in Resolution 29 of this General Meeting and that it does not take into account any adjustments that may be carried out pursuant to applicable laws and regulations or any contractual provisions setting out other adjustments to preserve the rights of holders of securities or of other rights conferring access to the Company's share capital.
- 4. Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion or the countervalue of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in Resolution 29 of this General Meeting.
- 5. Resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights immediately or in the future.

- 6. Resolves that the shareholders can exercise, pursuant to applicable laws, their irrevocable preferential right to subscribe irrevocably for the number of shares proportionate to their shareholding. Additionally, the Board of Directors may:
- · Grant shareholders revocable subscription rights to a larger number of securities than they are able to subscribe irrevocably, in proportion to the subscription rights they hold and, in any case, up to the maximum amount of their request;
- In accordance with Article L. 225-134 of the French Commercial Code, if the irrevocable and, as applicable, revocable subscriptions have not absorbed all of the share or security issuance as defined above, the Board of Directors may use one and/or more of the following mechanisms as provided by law, and in the order it determines, to:
 - · Limit the share capital increase at the time of the subscriptions, under the condition that such an increase amounts to at least three-quarters of the increase decided upon;
 - · Freely distribute all or some of the unsubscribed shares or securities issued:
 - · Offer all or some of the unsubscribed shares issued to the public, on the French and/or international market.
- 7. Grants all powers to the Board of Directors, including the power to subdelegate as permitted by law and the Company's bylaws, to undertake the aforementioned issuances pursuant to the terms and conditions it decides upon as provided by law, and specifically to:
- Determine the issuance dates and procedures as well as the form and characteristics of the shares and/or securities to be issued;
- · Set the number of shares and/or other securities to be issued, as well as their terms and conditions, and specifically their issue price, if appropriate, the amount of the premium, the conditions of their payment and their effective date (retroactively, if necessary);
- · Suspend, if applicable, the exercise of rights attached to these securities for a maximum period of three months, in the circumstances and subject to the limits set forth by applicable laws and regulations;
- · On its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase;
- · Generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful

- conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation.
- Acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation it must report to the next Ordinary General Meeting how it has used the authorizations granted under this resolution.
- Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 15.

This delegation is granted for a term of twenty-six (26) months, from the date of this meeting.

RESOLUTION 18

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital without shareholders' preferential subscription rights by a public issue of equity securities and/or any securities conferring an immediate or future right to the Company's share capital)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, and pursuant to Articles L. 225-129 et seq. and specifically Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-91 et seq. of the French Commercial Code:

- 1. Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to increase the share capital on one or more occasions, in the proportions and at the times it considers appropriate, in France and/or abroad, in euros, in foreign currency or in any other accounting unit referenced to a basket of currencies, by a public issue of common shares and/or any securities sold or given free of charge, that confer rights by any means, immediately and/or in the future, to the Company's share capital, and these shares and other securities may be subscribed for either in cash or in exchange for other liquid and current receivables.
- Resolves that such delegation specifically excludes the issuance of preferred shares and securities that confer access to preferred shares.

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- 3. Resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation, may not exceed €306 million (which, at December 31, 2011, represented about 15% of the share capital) or the countervalue of this amount, it being understood that this nominal maximum amount counts toward the €408 million overall nominal cap set forth in Resolution 29 of this General Meeting and that it does not take into account any adjustments that may be carried out pursuant to applicable laws and regulations or any contractual provisions setting out other adjustments to preserve the rights of holders of securities or of other rights conferring access to the Company's share capital.
- 4. Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion or the countervalue of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in Resolution 29 of this General Meeting.
- Resolves to eliminate the preferential subscription rights applicable to securities that may be issued under this delegation.
- 6. Grants the Board of Directors the power to establish, pursuant to Article L. 225-135 paragraph 5 of the French Commercial Code, and in favor of the Company's shareholders, for a period and according to terms and conditions it will determine in compliance with applicable laws and regulations, for all or a portion of the issuance thus implemented, a priority subscription period of no fewer than three trading days; such priority subscription period will not generate tradable rights and may be exercised in proportion to the number of common shares held by each shareholder and supplemented, as the case may be, by revocable subscription, if the Board of Directors so decides.
- 7. Resolves that if the subscriptions, including any subscriptions by shareholders, have not absorbed the entire issuance of shares or securities decided upon under this delegation, the Board of Directors may limit the issuance to the amount subscribed for, provided that at least three-quarters of the decided issuance is subscribed for.
- 8. Resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights to the shares to which these securities will confer rights immediately or in the future.
- 9. Notes that, in accordance with Article L. 225-136-1 paragraph 1 of the French Commercial Code, (i) the issue price of the shares issued under this delegation must be at least equal to the

- minimum value set forth in applicable laws and regulations in force on the issue date (as of this date, the weighted average share price of the three stock exchange trading days immediately preceding the date on which the issue price is set, minus a maximum discount of 5%) after any potential correction to this average in the event of a difference in dividend entitlement dates, and (ii) the issue price of securities conferring access to capital must be the amount immediately collected by the Company, plus any amount that it may collect subsequently, which is, for every share issued as a result of these securities, at least equal to the minimum issue price as defined in (i) of this paragraph.
- 10. Grants all powers to the Board of Directors, with the power to subdelegate as permitted by law, under the conditions provided for by law and the Company bylaws, to undertake the aforementioned issuances pursuant to the terms and conditions it decides upon as provided by law, specifically to:
- Determine the issuance dates and procedures as well as the form and characteristics of the shares and/or securities to be issued;
- Set the number of shares and/or other securities to be issued, as well as their terms and conditions, and specifically their issue price, if appropriate, the amount of the premium, the conditions of their payment and their effective date (retroactively, if necessary);
- Suspend, if applicable, the exercise of rights attached to these securities for a maximum period of three months, in the circumstances and subject to the limits set forth by applicable laws and regulations;
- On its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase;
- Generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation.
- 11. Acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.
- 12. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 16.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 19

(The purpose of this resolution is to authorize the Board of Directors to set issue prices up to a maximum of 10% of the Company's share capital per annum in the event that shares and/or securities conferring an immediate or future right to the Company's share capital are issued without shareholders' preferential subscription rights)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically Article L. 225-136 1° thereof:

- 1. Authorizes the Board of Directors, with power to subdelegate under the conditions set by law and the Company bylaws, subject to the adoption of Resolutions 18 and/or 20 submitted to the vote of this meeting, for each of the issuances decided upon pursuant to these resolutions, to set the issue price according to the following terms and conditions, up to a maximum of 10% of the Company's share capital per year at the time of the issuance (this percentage shall apply to a share capital adjusted to reflect transactions affecting it following this meeting):
 - a) The issue price of common shares will be at least equal to the average weighted price of the share on Euronext Paris for the three trading sessions preceding the date on which the price is set, potentially discounted at a maximum of 10%.
 - b) The issue price of securities other than common shares will be such that the amount immediately collected by the Company, plus, if applicable, the amount eligible to be collected in the future by the Company, is at least equal to the amount set out in 1.a above for each common share issued as part of the issuance of these securities.
- 2. Acknowledges that, if the Board of Directors uses this delegation, it must prepare a supplementary report, certified by the statutory auditors, that describes the definitive terms and conditions of the operation and assesses its effective impact on the shareholder's situation
- 3. Resolves that the Board of Directors will have all powers, with the power to subdelegate as permitted by law, to implement this delegation of authority under the conditions set forth by law.
- 4. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 19.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 20

(The purpose of this resolution is to authorize the Board of Directors, pursuant to an offer set out in Article L. 411-2 II of the French Monetary and Financial Code, to issue shares and securities conferring access to the Company's share capital without shareholders' preferential subscription rights)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Report, and pursuant to the provisions of Articles L. 225-129 et seq. and L. 228-91 et seq. of the French Commercial Code, specifically Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-92 of the French Commercial Code and pursuant to the provisions of Article L. 411-2 II of the French Financial and Monetary Code:

- Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to increase the share capital on one or more occasions, in the proportions and at the times it considers appropriate, decides, in France and/or abroad, in euros, in foreign currency or in any other accounting unit referenced to a basket of currencies, by an issuance, within the framework of an offer known as a "private placement" as referred to in Article L. 411-2 II of the French Financial and Monetary Code, of common shares and/or any securities sold or given free of charge, that confer rights by any means, immediately and/or in the future, to the Company's share capital, and these shares and other securities may be subscribed for either in cash or in exchange for other liquid and current receivables.
- Resolves that such delegation specifically excludes the issuance of preferred shares and securities that confer access to preferred shares.
- 3. Resolves to eliminate preferential shareholders' subscription rights to securities issued by virtue of this delegation.
- Resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed €306 million (which, at December 31, 2011, represented about 15% of the share capital) or the countervalue of this amount, it being understood that this nominal maximum amount counts toward the €306 million overall nominal cap set forth in Resolution 18 of this General Meeting, and that it does not take into account any adjustments that may be carried out pursuant to applicable laws and regulations or any contractual provisions setting out other adjustments to preserve the rights of holders of securities or of other rights conferring access to the Company's share capital.
- Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the

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Company's share capital that may be issued under this delegation may not exceed €3 billion or the countervalue of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in Resolution 18 of this General Meeting.

- Resolves that, in any case, the equity securities issued under this resolution must not exceed regulatory limits in force on the issuance date.
- 7. Resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights immediately or in the future.
- Resolves that if the subscriptions, including any subscriptions by shareholders, have not absorbed the entire issuance of shares or securities decided upon under this delegation, the Board of Directors can limit the issuance to the amount subscribed for provided that at least three-quarters of the decided issuance is subscribed for.
- 9. Notes that, in accordance with Article L. 225-136 1° paragraph 1 of the French Commercial Code, (i) the issue price of the shares issued under this delegation must be at least equal to the minimum value set forth in applicable laws and regulations in force on the issue date (as of this date, the weighted average share price of the three stock exchange trading days immediately preceding the date on which the issue price is set minus a maximum discount of 5%), after any potential correction to this average in the event of a difference in dividend entitlement dates, and (ii) the issue price of securities conferring access to capital must be the amount immediately received by the Company plus any amount that it may receive subsequently, which is, for every share issued as a result of these securities, at least equal to the issue price as defined in (i) of this paragraph.
- 10. Grants all powers to the Board of Directors, including the option to subdelegate, as permitted by law and the Company's bylaws, to implement this authorization, in particular to:
- Determine the issuance dates and procedures as well as the form and characteristics of the securities to be issued;
- · Set the number of shares and/or other securities to be issued, as well as their terms and conditions, and specifically their issue price, if appropriate, the amount of the premium, the conditions of their payment and their effective date (retroactively, if necessary);

- · Suspend, if applicable, the exercise of rights attached to these securities for a maximum period of three months, in the circumstances and subject to the limits set forth by applicable laws and regulations;
- On its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase;
- Generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation.
- 11. Acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation it must report to the next Ordinary General Meeting how it has used the authorizations granted under this resolution.
- 12. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 17.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 21

(The purpose of this resolution is to authorize the Board of Directors to increase, by up to 15% of the initial issue, the number of securities to be issued in the event of a share capital increase, with or without shareholders' preferential subscription rights.

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically Article L. 225-135-1 thereof:

1. Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to decide to increase the number of securities to be issued for every issuance of securities with or without shareholders' preferential subscription rights, decided pursuant

to Resolutions 17, 18 and 20 of this meeting, at the same price as that of the initial issuance and within the timeframes and limitations set forth in the applicable legal and regulatory provisions in force on the issue date (as of this date, within 39 days of the end of the subscription period and up to 15% of the initial issuance), subject to the cap applicable to the issuance decided upon.

- 2. Resolves that the nominal amount of the capital increases that may be carried out under this delegation, whether directly or by presenting securities, will count toward the €408 million overall nominal cap set forth in Resolution 29 of this meeting.
- 3. Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation will count toward the €3 billion overall nominal cap set forth in Resolution 29 of this meeting.
- 4. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 18.
- 5. Resolves that the Board of Directors will have all powers, including the option to subdelegate as permitted bylaw and the Company's bylaws, to implement this delegation of authority.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 22

(The purpose of this resolution is to authorize the Board of Directors to increase the Company's share capital as compensation for contributions in kind comprised of equity securities or securities conferring access to share capital)

The General Meeting, acting in accordance with the guorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically Articles L. 225-129 et seq., L. 228-91 et seq. and L. 225-147 thereof:

1. Delegates the necessary powers to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to increase the share capital, based on the statutory auditors' Report, one or more times, up to a maximum of 10% of the share capital on the issue date (this percentage to be applied to the share capital adjusted for any transactions that affect it following this meeting) by issuing common shares and/or any other securities conferring access immediately or in the future, to the Company's share capital as compensation for contributions in kind granted to the Company and comprised of equity securities or securities conferring

access to share capital, when the provisions of Article L. 225-148 of the French Commercial Code do not apply, and to decide as necessary to waive the shareholders' preferential subscription rights applicable to shares and securities issued, to the benefit of holders of the equity capital or securities that are the object of the contributions in kind.

- 2. Resolves that such delegation specifically excludes the issuance of preferred shares and securities that confer access to preferred shares.
- 3. Resolves that the maximal nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed the €204 million ceiling or the countervalue of this amount, it being understood that this nominal maximum amount will count toward the €306 million overall nominal cap set forth in Resolution 18 of this meeting.
- Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion or the countervalue of this amount, it being understood that this maximum nominal amount will count toward the €3 billion overall nominal cap set forth in Resolution 18 of this General Meeting.
- 5. Grants the Board of Directors all powers, with the power to subdelegate as permitted by law, to undertake the aforementioned issuances according to the terms and conditions it will decide upon as provided for by law, specifically to:
- · Decide to increase the capital as compensation for the contributions and determine the form and characteristics of the securities to be issued;
- · Draw up a definitive list of the contributed securities and acknowledge the number of securities contributed in exchange;
- · Approve the assessment of the contributions and the allocation of any specific advantages, determine the number of shares and/or other securities to be issued as well as their terms and conditions, and, if appropriate, the amount of the premium;
- Suspend, if applicable, the exercise of rights attached to these securities for a maximum period of three months, in the circumstances and subject to the limits set forth by applicable laws and regulations;
- On its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase;
- Generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under

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this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation.

6. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 20.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 23

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital by incorporating premiums, reserves, profits or any other capitalizable amounts)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and pursuant to the provisions of the French Commercial Code, specifically Articles L. 225-129, L. 225-129-2 and L. 225-130 thereof:

- 1. Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to decide to increase the Company's share capital on one or more occasions, in the proportions and at the times it considers appropriate, to consecutively or simultaneously incorporate premiums, reserves, profits or any other amounts that can be capitalized, by allocating bonus shares or increasing the nominal value of existing shares or a combination of both methods.
- 2. Resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation, or under any other similar delegation that may succeed it during its validity period, must not exceed the total sum that can be incorporated and must not exceed a nominal ceiling of €408 million or the countervalue of this amount, it being understood that this amount (i) is set independently and separately from the €408 million overall nominal cap set forth in Resolution 29 of this meeting, and (ii) does not take into account any adjustments that may be carried out pursuant to applicable laws or regulations.
- 3. Resolves that, in the event that the share capital is increased and pursuant to the provisions of Article L. 225-130 of the French Commercial Code, fractional rights will not be tradable and that the corresponding securities will be sold, with the amounts generated by the sale allocated to the rights-holders pursuant
- 4. Grants the Board of Directors all powers, including the option to subdelegate, to undertake the aforementioned issuances according to the terms and conditions it will decide upon as provided by law, specifically to:

- · Set the amount and nature of the sums to be capitalized, set the number of new equity securities to be issued and/or the amount by which the nominal amount of existing equity securities will be increased, set the date, which may be retroactive, on which the new equity securities will confer entitlement to dividends or on which the increase of the nominal of the existing equity securities will take effect, and
- · Generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation.
- 5. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 21.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 24

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital to compensate for securities contributed as part of a public exchange offer initiated by the Company)

The General Meeting, acting in accordance with the rules as to quorum and majority applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically Articles L. 225-129-2, L. 225-148, and L. 228-91 et seq. thereof:

1. Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to decide to increase the Company's share capital on one or more occasions, in the proportions and at the times it considers appropriate, in France or abroad according to local rules (including any other operation having a similar effect to a public exchange offer initiated by the Company on the securities of another company whose securities are accepted for trading on a foreign regulated or similar market), by issuing common shares and/or securities conferring access immediately or in the future to the Company's share capital as compensation for the securities contributed to a public exchange offer by the Company on the securities of another company admitted for trading on one of the regulated markets cited in Article L. 225-148 of the French Commercial Code.

- 2. Resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred
- 3. Resolves that the nominal amount of the capital increases that may be carried out pursuant to this delegation must not exceed the nominal €306 million ceiling or the countervalue of this amount, it being understood that this nominal maximum amount will count toward the €306 million overall cap set forth in Resolution 18 of this meeting.
- 4. Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation must not exceed €3 billion or the countervalue of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in Resolution 18 of this General Meeting.
- 5. Resolves to waive preferential shareholders' subscription rights applicable to securities issued under this resolution.
- 6. Acknowledges that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights immediately or in the future.
- 7. Grants the Board of Directors all powers, with the power to subdelegate as permitted by law, to undertake the aforementioned issuances according to the terms and conditions it will decide upon as provided for by law, specifically to:
- · Determine the dates, conditions and other characteristics of the issuances:
- · Decide, in the case of bonds or debt securities (including securities conferring entitlement to allocation of debt securities pursuant to Article L. 228-91 of the French Commercial Code), whether they will be subordinated or not, to set the interest rate and provide, as the case may be, for instances of mandatory or optional suspension or non-payment of interest;
- · Set the exchange parity as well as the amount of the balance to be paid in cash, and to record the number of shares contributed to the exchange;
- · On its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase;
- Generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share

- capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation.
- Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 22.
- Acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 25

(The purpose of this resolution is to authorize the Board of Directors to issue mixed securities representing debt)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically its Article L. 228-92:

- 1. Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to undertake an issuance on one or more occasions, in the proportions and at the times it considers appropriate, on the French market and/or on the international market, of any mixed securities representing creditor's rights against the Company, at fixed or variable rates, whether subordinated or not, for a definite or indefinite term, in euros, foreign currency or any other accounting unit established by reference to a basket of currencies, and inclusive or exclusive of warrants that provide rights to the allocation, acquisition or subscription of bonds, similar securities or other securities or securities granting such a creditor's right against the Company.
- Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation must not exceed €3 billion or the countervalue of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in Resolution 29 of this General Meeting.
- Grants the Board of Directors all powers, with the power to subdelegate as permitted by law, to undertake the aforementioned issuances according to the conditions it will decide upon as provided by law.

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4. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 23.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 26

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital by issuing shares or securities conferring access to share capital to the benefit of members of a savings plan, with waiver of shareholders' preferential subscription rights in favor of these employees)

The General Meeting, acting in accordance with the guorum and majority requirements applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory auditors' Special Report, pursuant to Articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-138, L. 225-138-1, L. 228-91 and L. 228-92 of the French Commercial Code, and Articles L. 3332-18 et seq. of the French Labor Code:

- Delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to decide to increase the share capital, on one or more occasions, in the proportions and at the times it considers appropriate, for a maximum nominal amount of €40 million, by issuing shares or securities conferring access to the Company's share capital reserved for members of one or more corporate savings plans (or another plan which would provide for the possibility to reserve for its members a capital increase under equivalent conditions under Articles L. 3332-18 et seq. of the French Labor Code), which would be put in place within a group consisting of the Company and other French or foreign companies within the scope of consolidation of the financial statements under Article L. 3344-1 of the French Labor Code.
- Resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred shares
- 3. Resolves that the maximum nominal amount of the capital increases that may be carried out by the issuance of new shares immediately or in the future will count toward the €408 million overall nominal amount as set forth in Resolution 29 of this meeting.
- 4. Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation will count toward the €3 billion overall nominal cap set forth in Resolution 29 of this meeting.

- 5. Resolves that this delegation includes, for the benefit of the holders of the securities issued under this authorization and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights immediately or in the future.
- Resolves that the issue price of new shares or securities conferring access to the Company's share capital will be determined under the conditions set forth in L. 3332-18 et seq. of the French Labor Code and will be equal to at least 80% of the average share price listed on Euronext Paris for the 20 trading sessions preceding the date on which the decision is made to set the opening day of the subscription period of the share capital increase reserved for members of a corporate savings plan of the SUEZ ENVIRONNEMENT Group (the "Reference Price"); however, the General Meeting expressly authorizes the Board of Directors, if it considers it appropriate, to reduce or eliminate the aforementioned discount, within the legal and regulatory limitations, in order to comply with locally applicable legal, accounting, tax and corporate systems.
- 7. Authorizes the Board of Directors to freely allocate to the above-mentioned beneficiaries, in addition to shares or securities conferring access to the Company's share capital to be subscribed in cash, shares or securities conferring access to share capital to be issued or already issued, as a substitution for all or part of the discount based on the Reference Price and/ or as a company contribution, with the understanding that the overall benefit created by this allocation shall not exceed the legal or regulatory limitations pursuant to Articles L. 3332-18 et seq. and L. 3332-11 et seq. of the French Labor Code.
- 8. Authorizes the Board of Directors, under the conditions of this delegation, to sell shares to members of a corporate savings plan as provided in Article L. 3332-24 of the French Labor Code, and the shares sold at a discount in favor of the members of one or more corporate savings plans referred to in this resolution will be counted towards the cap set forth in paragraph 3 above up to the par value of the shares thus sold.
- Resolves that the Board of Directors will have all powers to implement this delegation, with the power to subdelegate as permitted by law, within the limitations and under the conditions set forth above, specifically to:
- Decide, pursuant to law, the list of companies for which members of one or more corporate savings plans may subscribe for shares or securities conferring access to share capital thus issued and may benefit from freely allocated shares or securities conferring access to share capital;

- · Decide that the subscriptions may be made directly by the beneficiaries who are members of an employee savings plan, or though a company mutual fund or other structures or companies acceptable under applicable legal or regulatory provisions;
- Determine the conditions, specifically with regard to seniority, that beneficiaries of the share capital increases must satisfy;
- · Decide the opening and closing dates of the subscriptions;
- · Set the amounts of issues that will be performed by virtue of this delegation of authority, specifically the issue price, dates, deadlines, terms and conditions for subscribing, paying, discharging, issuing and holding the securities (even retroactively), the reduction rules applicable in cases of oversubscription as well as the other terms and conditions of issuance, within the legal and regulatory limitations in force;
- In the event of a free allocation of shares or securities conferring access to the share capital, to set the nature, characteristics and number of shares and securities conferring access to the share capital to be issued and the number to be allocated to each beneficiary, and to decide the dates, deadlines, terms and conditions for allocating these shares or securities conferring access to the share capital within the legal and regulatory limitations in force, specifically, to choose either to substitute all or a portion of the allocation of these shares or securities conferring access to the share capital with the aforementioned Reference Price-based discounts, or count towards the total amount of the company contribution the countervalue of those shares, or combine these two options;
- · In the event that new bonus shares are issued, to allocate to the reserves, if applicable, profits or issue premiums the amounts necessary to pay out the said shares;
- · Acknowledge the implementation of the share capital up to the amount of the subscribed shares (following any reduction in the event of oversubscription);
- · Deduct, if applicable, 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 any agreements, directly or indirectly carry out any operations through a broker, including formalities resulting from share capital increases and the corresponding modification of the bylaws and, in general, order any agreement specifically to bring the issuances considered, take any measures and decisions and undertake any necessary formalities for the issuance, to list it on the market as well as with the financial services for shares issued by virtue of this delegation as well as for exercising the attached rights or rights resulting from the share capital increases performed.

- 10. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 24.
- 11. Acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

This delegation is granted for a term of twenty-six (26) months from the date of this meeting.

RESOLUTION 27

(The purpose of this resolution is to authorize the Board of Directors to increase the share capital, without shareholder's 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 and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report, 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 its authority to the Board of Directors to increase the Company's share capital on one or more occasions, in the proportions and at the times it considers appropriate, by a maximum nominal amount of €12 million by issuing shares or securities conferring access to the Company's share capital reserved for the class of beneficiaries defined in paragraph 7 below.
- 2. Resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred shares.
- Resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation by the issuance of new shares, will count toward the €408 million overall nominal cap set forth in Resolution 29 of this meeting.
- 4. Resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation will count toward the €3 billion overall nominal cap set forth in Resolution 29 of this meeting.

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- 5. Resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights, immediately or in the future.
- 6. Resolves that the amount of each employee's subscriptions may not exceed the limitations that will be provided for by the Board of Directors pursuant to this delegation, and, in the event of excessive employee subscriptions, it will be reduced pursuant to the rules defined by the Board of Directors.
- 7. Resolves to waive shareholders' preferential subscription rights applicable 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:
 - (a) Employees and corporate officers of foreign SUEZ ENVIRONNEMENT Group companies linked to the Company under the conditions set out in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code, in order to allow them to subscribe for the Company's share capital on economically equivalent terms to those offered to members of one or more corporate savings plans as part of a capital increase undertaken pursuant to Resolution 26 of this meeting, and/or
 - (b) Mutual funds (OPCVR) or other incorporated or unincorporated entities of employees' shareholding invested in the Company's shares whose unitholders or shareholders consist of the persons cited in sub-paragraph (a) of this paragraph, and/or
 - (c) 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 sub-paragraph (a) of this paragraph, provided that the authorized person's subscription in accordance with this resolution would be necessary or beneficial in order to allow the above-cited employees or corporate officers to benefit from employee shareholding or savings plans with economic benefits equivalent or similar to the plans from which other SUEZ ENVIRONNEMENT Group employees benefit.
- 8. Resolves that the issue price of the shares or securities conferring access to the Company's share capital will be set by the Board of Directors and may be (a) under the same conditions as those set out in Articles L. 3332-18 et seq. of the French Labor Code, the subscription price being equal to at least 80% of the Company's average quoted share price on Euronext Paris over the 20 trading days preceding the day that the decision is made to set the opening price for subscriptions under this resolution, or (b) equal to the price of the shares issued as part of the capital increase benefiting the employee members of a company savings plan,

pursuant to Resolution 26 of this General Meeting, and will be equal to at least the Reference Price.

Notwithstanding, the General Meeting expressly authorizes the Board of Directors, if it considers it appropriate, to reduce or eliminate the agreed-upon 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 7(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 or securities conferring access to the Company's share capital to be issued as part of this plan shall be equal to the lower of (i) the Euronext Paris opening share price of the reference period used to set the share price for the plan, or (ii) the closing share price of the same reference period, the start and end dates of this reference period being determined under local regulations. This price will include no discount on the reference share price.

- 9. Resolves that the Board of Directors may, with the power to subdelegate as permitted by law, determine the subscription options that will be offered to employees in each of the relevant countries, in accordance with local legal restrictions, and may choose from among the countries in which the Company has subsidiaries within the Company's 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.
- 10. Resolves that the amount of the share capital increase or of 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.
- 11. Resolves that the Board of Directors will have all powers to implement this delegation, with the power to subdelegate as permitted by law, within the limitations and under the conditions set forth above, specifically to:
- · Decide upon the list of beneficiary(ies), without shareholders' preferential subscription rights, within the category defined below, as well as the number of shares or securities conferring access to the Company's share capital to be subscribed for by the beneficiaries or by each beneficiary;
- · Decide upon the opening and closing dates of the subscriptions period;
- Set the number of shares that will be issued under this delegation of authority, specifically including the issue price, dates, deadlines, terms and conditions for subscription, payment, delivery and access (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 or securities conferring access to the Company's share capital (after any reduction in the event of oversubscription);
- · If necessary, allocate the fees for the share capital increases to the resulting premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital resulting from these share capital increases;
- · Enter into agreements, conduct operations directly or indirectly through a broker, including carrying out the formalities arising from the capital increases, amend the bylaws accordingly and, in general, enter into any agreement with the specific purpose of ensuring the successful conclusion of intended issues, handle all measures, decisions and formalities necessary for the issue and conduct listing and financial servicing of the shares issued by virtue of this delegation, and permit exercise of the rights attached thereto or arising from the capital increase carried out.
- 12. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 19, 2011 in its Resolution 16.
- 13. Acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

This delegation is granted for a term of eighteen (18) months from the date of this meeting.

RESOLUTION 28

(The purpose of this resolution is to authorize the Board of Directors to allocate bonus shares)

The General Meeting, acting in accordance with the rules as to quorum and majority applicable to extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the statutory auditors' Special Report:

1. Authorizes the Board of Directors, pursuant to the provisions of Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code, to undertake, on one or more occasions, in the proportions and at the times it considers appropriate, the free allocation of existing shares or shares to be issued by the Company in favor of beneficiaries or categories of beneficiaries it will identify among members of the permanent staff of the Company or of companies or organizations affiliated with it under the conditions set forth in Article L. 225-197-2 of the said Code and the corporate officers of the Company or of companies or

- organizations affiliated with it and that satisfy the conditions set forth in Article L. 225-197-1 II of the said Code, under the conditions set forth below.
- Resolves that such authorization specifically excludes the issuance of preferred shares and securities that give access to preferred shares.
- Resolves that the total number of free shares that may be allocated under this authorization must not exceed 1.5% of the Company's share capital as determined on the day that the allocation decision is made by the Board of Directors, and that no share allocation under this authorization may be made to an employee or corporate officer who holds more than 10% of the Company's share capital, it being understood that free shares allocated to corporate officers must not exceed 5% of the overall allocated amount, and that the maximum nominal amount of the share capital increases that may be carried out under this authorization will count toward the overall nominal cap of €408 million set forth in Resolution 29 of this meeting.
- Resolves that the allocation of shares of the Company to their beneficiaries will be final after a vesting period of a minimum of two years for all or some of the shares allocated, and with regard to corporate officers and managers, must be subject to the Group's performance criteria that will be assessed over the entire vesting period and subject to the beneficiaries remaining with the Group according to the terms and conditions established by the Board of Directors. The mandatory holding retention period of Company shares by beneficiaries will be set at a minimum of two years as of the date of the definitive allocation of shares, and for allocated shares for which the acquisition period is set at four years, the mandatory minimum retention period of shares may be eliminated, such that the said shares can be freely transferable from the date of their definitive allocation.
- Resolves that, in the event of the incapacity of a beneficiary corresponding to the classification under Category 2 or 3 as set forth in Article L. 341-4 of the French Social Security Code, the final allocation of shares shall occur immediately, and in the event of the death of the beneficiary, his/her heirs may request the final allocation of shares within six months of the said death.
- Resolves that the existing shares that may be allocated pursuant to this resolution must be acquired by the Company, either pursuant to Article L. 225-208 of the French Commercial Code or, if necessary, as part of a share buyback program pursuant to the provisions of Article L. 225-209 of the French Commercial Code.
- 7. Acknowledges that, in the event of an allocation of new bonus shares, this authorization will imply, as and when the allocation of the said shares is finalized, a share capital

Resolutions

increase by incorporating reserves, profits or share premiums for the beneficiaries of the said shares and the corresponding waiving of preferential subscription rights of the said shares by shareholders in favor of the beneficiaries of the said shares.

- 8. Grants the Board of Directors all powers within the limitations set forth above to implement this delegation, with the power to subdelegate as permitted by law, to implement this authorization, and specifically to:
- Determine if the bonus shares are shares to be issued or existing shares.
- · Determine the number of shares allocated to each beneficiary it will have identified.
- · Set the conditions and, if necessary, the criteria for allocating shares, specifically the minimum acquisition period and the minimum holding period.
- · Increase, if necessary, the share capital by incorporating reserves, profits or issue premiums so as to undertake the issuance of bonus shares
- · Allocate shares to the persons mentioned in paragraph 4 of Article L. 225-185 of the French Commercial Code, subject to the conditions in Article L. 225-186-1 of the said Code and, with regard to the shares thus allocated, either (i) decide that the bonus shares granted shall not be sold by the interested parties before they resign from their duties, or (ii) set the quantity of bonus shares granted that they must hold as registered shares until they resign from their duties.
- · If necessary, provide for the option to postpone the dates of the final allocation of shares and, for the same period, the mandatory term for holding the said shares (such that the minimum holding period remains unchanged).
- If necessary, adjust the number of bonus shares allocated needed to preserve the rights of beneficiaries, based on potential operations on the Company's share capital under the circumstances provided for in Article L. 225-181 of the French Commercial Code. It is specified that the shares allocated after such adjustments will be deemed to have been allocated on the same day as shares allocated initially.
- · Determine the dates and terms of the allocations, and generally undertake all necessary provisions and enter into any agreements to bring the allocations considered to their proper conclusion.

The Board of Directors may also implement any other new legal provisions that may arise during the period of validity of this authorization, the application of which does not require an express decision of the General Meeting.

- 9. Resolves that the Company can adjust the number of free shares allocated, if necessary, to preserve the rights of the beneficiaries, based on potential transactions impacting the Company's share capital, particularly in the event of a change in the nominal value of a share, a capital increase by incorporation of reserves, a distribution of reserves or any other assets, amortization of capital or any other transaction impacting share capital. It is specified that the shares allocated after such adjustments will be deemed to have been allocated on the same day as the shares initially allocated.
- 10. Resolves that this authorization supersedes, as of today, all previous authorizations having the same purpose, and therefore any unused portion of the previous authorization granted to the Board of Directors by the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 in its Resolution 26.

This delegation is granted for a term of thirty-eight (38) months from the date of this meeting.

RESOLUTION 29

(The purpose of this resolution is to set an overall cap applicable to the delegations and authorizations)

The General Meeting, acting in accordance with the quorum and majority requirements applicable to extraordinary General Meetings and after deliberating, resolves that the overall amount of the share capital increases that may be carried out immediately or in the future, under Resolutions 17, 18, 20 to 22 and 24 to 28 of this meeting or under any other similar resolution, that may succeed the said resolutions during their term must not exceed:

- With respect to share issues, an overall nominal amount of €408 million (which, at December 31, 2011, represented 20% of the share capital), or the countervalue of this amount if the issuance was in another currency or monetary unit established by reference to a basket of currencies, on the issue date, and
- b) With respect to issues of securities representing debt or similar securities conferring access to the Company's share capital and issues of mixed securities representing debt, an overall nominal amount of €3 billion, or the countervalue of this amount if the issuance was in another currency or monetary unit established by reference to a basket of currencies, on the issue date;

it being understood that these overall nominal amounts, as well as the maximum nominal amounts specified in each of the resolutions mentioned above, do not take into account adjustments that may be made pursuant to applicable laws and regulations and, as the case may be, to contractual provisions laying down other cases of adjustment to preserve the rights of the holders of the securities or other rights conferring access to the Company's share capital.

The General Meeting also acknowledges that the maximum nominal amount of share capital increases by incorporation of premiums reserves, benefits or other sums that may be capitalized under Resolution 23 of this meeting will come in addition to the nominal amount set forth in paragraph a) above.

RESOLUTION 30

(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.



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.

GLOSSARY

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.).

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 fully 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.

NOTE ON METHODOLOGY



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.

Reference Documen Section	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
	I – ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES AND/OR CONTROLLED COMPANIES, AND OUTLOOK
Section (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.
Sections 9, 20. and 20.3	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 6, 9, 10 and 20.7	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, 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 4.1.3 and 4.2.	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.
Section 1	Research and development activities.
Section 6.3.4	Foreseeable development of the Company's situation, the status of all companies making up the scope of consolidation, and future outlook.
Sections 20.1, note 25 and 20.7	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.
	II – PRESENTATION AND INCLUSION OF THE FINANCIAL STATEMENTS IN THE MANAGEMENT REPORT
Section 20.3	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.
Sections 20.3, 20.9 and 20	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.

CONCORDANCE TABLE

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 and 5.2.2
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, 20.1 and note 21
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

CONCORDANCE TABLE

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
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
IX - COMPANY AND ENVIRONMENTAL INFORMATION	
Social information.	Section 17
Environmental information.	Section 6.8.1
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.	Section 16.5
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 18
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



SUEZ ENVIRONNEMENT COMPANY

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