CONSOLIDATED FINANCIAL STATEMENTS OF SUEZ ENVIRONNEMENT COMPANY FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011 AND 2010

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**
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 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 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.

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

In millions of euros	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
Shareholders' equity at December 31, 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)	1,162.0
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**
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**

(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.

(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 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 €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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTENTS

NOTE - 1. BASIS OF PRESENTATION, PRINCIPLES AND ACCOUNTING POLICIES

NOTE - 2. MAJOR TRANSACTIONS

NOTE - 3. OPERATING SEGMENT INFORMATION

NOTE - 4. CURRENT OPERATING INCOME

NOTE - 5. INCOME FROM OPERATING ACTIVITIES

NOTE - 6. FINANCIAL INCOME /(LOSS)

NOTE - 7. INCOME TAX

NOTE - 8. EARNINGS PER SHARE

NOTE - 9. GOODWILL

NOTE - 10. INTANGIBLE ASSETS

NOTE - 11. PROPERTY, PLANT AND EQUIPMENT

NOTE - 12. FINANCIAL INSTRUMENTS

NOTE - 13. MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

NOTE - 14. EQUITY

NOTE - 15. PROVISIONS

NOTE - 16. POST-EMPLOYMENT BENEFIT OBLIGATIONS AND OTHER LONG-TERM BENEFITS

NOTE - 17. CONSTRUCTION CONTRACTS

NOTE - 18. FINANCE LEASES

NOTE - 19. OPERATING LEASES

NOTE - 20. SERVICE CONCESSION ARRANGEMENTS

NOTE - 21. SHARE-BASED PAYMENTS

NOTE - 22. RELATED-PARTY TRANSACTIONS

NOTE - 23. EXECUTIVE COMPENSATION

NOTE - 24. LEGAL AND ARBITRATION PROCEEDINGS

NOTE - 25. SUBSEQUENT EVENTS

NOTE - 26. LIST OF THE MAIN CONSOLIDATED COMPANIES AT DECEMBER 31, 2011 AND 2010

NOTE - 27. FEES OF THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

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.

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*

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

- 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.

1.2.4 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.

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

1.4 USE OF JUDGMENT AND ESTIMATES

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.

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.

1.4.1.7 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 carry-forwards

Deferred tax assets are recognized on tax loss carry-forwards when it is probable that future taxable profit will be available to the Group against which the tax loss carry-forwards can be utilized. Estimates of taxable profit and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

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.

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.

[3] *Formerly Minority Interests*

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 (€).

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 year-end exchange rates. Income statement and statement of cash flow items are translated using the average exchange rate for the year. Any differences arising from the translation of the financial statements of consolidated companies are recorded under "Cumulative translation adjustment" as Other Comprehensive Income.

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

1.5.3 Business combinations and changes in ownership interests

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

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.

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

i. the consideration transferred,

ii. the amount of any non-controlling interest in the acquired company, and

iii. in a business combination achieved in stages, the fair value at acquisition-date of the previously held interests in the acquired company;

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

The 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 units.

The methods used to carry out these impairment tests are described in Section 1.5.7 "Impairment of property, plant and equipment and intangible assets."

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

Impairment losses on goodwill relating to associates are reported under "Share in net income of associates."

1.5.4.2 Other intangible assets

A. Development costs

Research costs are expensed as incurred.

Development costs are capitalized when the asset recognition criteria set out in IAS 38 are met. Capitalized development costs are amortized over the useful life of the intangible asset recognized. In view of the Group's activities, capitalized development costs are not material.

B. Other internally generated or acquired intangible assets

Other intangible assets include mainly:

- amounts paid or payable as consideration for rights relating to concession arrangements or public service contracts,
- customer portfolios acquired on business combinations,
- surface and underground water drawing rights, which are not amortized as they are granted indefinitely,
- concession assets,
- exclusive rights to distribute drinking water in a defined geographic area in perpetuity.

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

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

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

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

1.5.5 Property, plant and equipment

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

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

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

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

In accordance with IAS 16, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has a present legal or constructive obligation to dismantle the item or restore the site. In counterpart, a provision is recorded for the same amount.

Property, plant and equipment acquired under finance leases are carried in the consolidated statement of financial position at the lower of 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 it relates.

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

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

Standard useful lives are as follows:

	Main depreciation periods (years)
Constructions*	3 to 100
Plant and equipment	2 to 70
Transport equipment	3 to 14

**: including fittings*

With respect to the assets accounted for as counterpart for the site restoration provisions, they are amortized according to the method set forth in Section 4 of Note 15.

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.

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

- o Evidence of obsolescence or physical damage not budgeted for in the depreciation/amortization schedule;
- o 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.

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".

1.5.8 Leases

The Group holds assets for its various activities under lease contracts.

These leases are analyzed based on the situations and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not comply with the definition of a finance lease are classified as operating leases.

The following main factors are considered by the Group to assess whether or not a lease transfers substantially all the risks and rewards incidental to ownership: whether (i) the lease transfers ownership of the asset to the lessee by the end of the lease term; (ii) the lessee has an option to purchase the asset and if so, the conditions applicable to exercising that option; (iii) the lease term covers the major part of the estimated economic life of the asset; and (iv) the asset is of a highly specialized nature. A comparison is also made between the present value of the minimum lease payments and the fair value of the asset concerned.

1.5.8.1 Accounting for finance leases

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

1.5.8.2 Accounting for operating leases

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

1.5.8.3 Accounting for arrangements that contain a lease

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

1.5.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value corresponds to the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is determined based on the first-in, first-out method or the weighted average cost formula.

1.5.10 Financial instruments

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

1.5.10.1 Financial assets

Financial assets comprise available-for-sale securities, loans and receivables carried at amortized cost including trade and other receivables, and financial assets measured at fair value through income including derivative financial instruments. Financial assets are broken down into current and non-current assets in the statement of financial position.

A. Available-for-sale securities

Available-for-sale securities include the Group's investments in non-consolidated companies and equity or debt instruments that do not satisfy the criteria for classification in another category (see below). These items are measured by using a weighted average cost formula.

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

At each 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 non-consolidated companies, and guarantee deposits as well as trade and other receivables.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each 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.

Definition and scope of derivative financial instruments

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

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

Embedded derivatives

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

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

Embedded derivatives are separately recognized in the following cases:

- if the host contract is not a financial instrument already recognized at fair value with any fair value adjustment shown in income;
- if when separated from the host contract, the component still meets the definition of a derivative product (existence of an underlying instrument, absence of initial and future settlement);
- if the characteristics of the identified derivative are not closely related to those of the host contract. The determination of "closely related" is carried out on the date that the contract is signed.

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

Derivative hedging instruments: recognition and presentation

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

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

Fair value hedges

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

The gain or loss from re-measuring the hedging instrument at fair value is recognized in income. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in income even if the hedged item is in a category in respect of which changes in fair value are recognized through equity (Other Comprehensive Income). These two adjustments are presented net in the income statement, with the net effect corresponding to the ineffective portion of the hedge.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect the Group's consolidated income. The hedged cash flows may be attributable to a particular risk associated with a recognized financial or non-financial asset or a highly probable forecast transaction.

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

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

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.

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.

1.5.11 Cash and cash equivalents

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

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

1.5.12 Treasury shares

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

1.5.13 Construction contracts

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

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

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

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

1.5.14 Share-based 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 (risk-free rate, share price, volatility, expected dividends), and a behavioral assumption in relation to beneficiaries. The value determined is recorded in personnel costs over the vesting period and offset against equity.

1.5.14.2 Allotment of bonus shares

The fair value of bonus share plans is estimated based on the share price on the allotment date, taking into account the absence of dividend payments over the vesting period, the turnover rate for the relevant staff in each plan and the likelihood of the Group's performance. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity.

For performance shares that are allotted on a discretionary basis and include external performance conditions, a Monte Carlo model is used.

1.5.14.3 Employee share purchase plans

Employee share purchase plans enable employees to subscribe to company shares at a lower-than-market price. The fair value of the instruments awarded under employee share purchase plans is estimated on the allotment date based on the value of this discount awarded to employees and non-transferability period applicable to the share subscribed. As it is treated as a service rendered, the cost is recognized in full and offset against equity.

Cash-settled instruments

In specific cases where local legislation prohibits employee share purchase plans, share appreciation rights (SAR) are granted instead. 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:

- The cost of defined contribution plans is expensed based on the amount of contributions payable in the period;
- The Group's obligations concerning pensions and other employee benefits payable under defined benefit plans are assessed on an actuarial basis. These calculations are based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the economic conditions specific to each country or subsidiary of the Group. Discount rates are determined by reference to the yield, at the measurement date, on high-quality corporate bonds in the related geographical area (or on government bonds in countries where no representative market for such corporate bonds exists).

Provisions are recorded when commitments under these plans less the unrecognized past service cost exceed the fair value of plan assets. When the value of plan assets (capped where appropriate) is greater than the related commitments, the surplus is recorded as an asset under "Other current assets" or "Other non-current assets."

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

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

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

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

1.5.15.2 Other provisions

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

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

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The Group's main long-term provisions are provisions for site restoration costs (relating to the waste services business). The discount rate (or rates) used reflect current market measurements of the time value of money and the risks specific to the liability concerned. Expenses corresponding to the reversal of discounting adjustments to long-term provisions are recorded under other financial income and expenses.

A provision is recognized when the Group has a present legal or constructive obligation to restore a site. The counterpart for this provision is included in the carrying amount of the asset concerned. Adjustments to the provision due to subsequent changes in the expected outflow of resources, the site restoration date or the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The impacts of unwinding the discount are recognized in expenses for the fiscal year.

1.5.16 Revenues

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

- Water services
- Waste services
- Engineering and construction contracts and other services

Revenues on sales of goods are recognized on delivery (i.e., when the significant risks and rewards of ownership are transferred to the buyer), or as a function of the progress of the contract, in the case of provisions of services and construction contracts, when the price is 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.

1.5.16.2 Waste services

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

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

1.5.16.3 Engineering, construction contracts and services rendered

Revenues from construction contracts are determined using the percentage of completion method and more generally according to the provisions of IAS 11 (see Section 1.5.13). Depending on the contract concerned, the stage of completion may be determined either based on the proportion that costs incurred to date bear to the estimated total costs of the contract, or on the physical progress of the contract based on factors such as contractually defined stages. Revenues also include revenues from financial concession assets (IFRIC 12) and lease receivables (IFRIC 4).

1.5.17 Current operating income

Current operating income is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance" (in accordance with CNC Recommendation 2009-R03 in the financial statements of companies applying IFRS). Current operating income is a sub-total which helps management to better understand the Group's performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For the Group, these elements relate to the 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.
- 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 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**

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 drinking-water distribution and wastewater treatment, to the Remondis Group. The transaction, concluded for €95 million, should be finalized during the 2012 first quarter. 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.

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.

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 SEGMENTS 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 risk-management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments.

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

The accounting principles and valuation methods used to prepare internal reporting are the same as those used to prepare the consolidated financial statements. EBITDA and industrial capital employed are reconciled with the consolidated financial statements.

3.2 Key indicators by operating segment

Revenues

In millions of euros	December 31, 2011			December 31, 2010		
	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)**

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

	Revenues		Capital Employed	
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**

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.

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 defined-benefit 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	(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)**

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

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.

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 €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 Eau.
- 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.

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.

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.

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.

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.

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.

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
<u>Numerator (in millions of euros)</u>			
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**
<u>Denominator (in millions)</u>			
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**	
<u>Earnings per share</u> (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.

(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.

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.

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 €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).

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 medium-term plan (MTP) approved by the Group Management Committee. These are linked to operating conditions estimated by the Management Committee, specifically the duration of contracts carried by entities of the CGU in question, changes in 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 after-tax 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).

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 over book value	Discount rates		Growth rate of "normalized" Free Cash Flow	
	- 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).

NOTE 10 – INTANGIBLE ASSETS

10.1 MOVEMENTS IN THE CARRYING AMOUNT OF INTANGIBLE ASSETS

In millions of euros	Softwares		Intangible rights arising on concession contracts		Other		Total
A. Gross amount							
at December 31, 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:

1. 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.

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.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

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

In millions of euros	Land	Constructions	Plant and equipment	Transport equipment	Capitalized dismantling and restoration costs	Construction in progress	Other	Total property, plant and equipment
A. Gross amount								
at December 31, 2009	**1 374.8**	**2 261.7**	**6 642.2**	**1 372.7**	**489.0**	**602.3**	**454.3**	**13 197.0**
Acquisitions	70.5	93.3	284.9	107.6	6.2	472.3	27.5	**1 062.3**
Disposals	(25.8)	(26.9)	(112.3)	(77.5)	0.0	0.0	(22.6)	**(265.1)**
Translation adjustments	52.3	68.2	325.5	32.5	11.6	7.2	10.1	**507.4**
Changes in scope of consolidation	271.1	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)	0.0	0.0	(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	0.0	(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 depreciation and impairment								
at December 31, 2009	**(649.3)**	**(954.1)**	**(3 407.4)**	**(898.2)**	**(484.8)**	**(2.3)**	**(313.0)**	**(6 709.1)**
Depreciation	(71.8)	(133.9)	(389.0)	(126.0)	(7.0)	0.0	(33.9)	**(761.6)**
Impairment losses	(7.7)	(4.2)	(11.7)	0.0	0.0	(1.9)	0.2	**(25.3)**
Disposals	30.1	20.6	94.7	68.5	0.6	0.0	20.5	**235.0**
Translation adjustments	(29.1)	(13.3)	(70.2)	(20.0)	(11.6)	0.0	(6.0)	**(150.2)**
Changes in scope of consolidation	0.2	112.4	1 158.5	22.6	(1.3)	0.0	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)	0.0	(60.7)	**(744.9)**
Impairment losses	(0.4)	(2.4)	(9.7)	0.0	0.0	0.0	0.0	**(12.5)**
Disposals	22.2	42.4	128.1	64.8	0.0	0.0	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	0.0	(0.3)	0.0	0.0	0.1	**0.0**
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**

In 2011, changes in the scope of consolidation had a net negative impact on property, plant and equipment of -€202.6 million. As explained in Note 2 – Major transactions, this mainly reflected the takeover of WSN Environmental Solutions (+€143.8 million) by SITA Australia and the sale of 70% of the regulated activity of Bristol Water (-€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 (+€1,737.8 million), various entries into the scope of consolidation at SITA France (+€64.4 million) and the unwinding of joint investments previously held by Lyonnaise des Eaux and Veolia Eau (+€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 €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":

In millions of euros	December 31, 2011			December 31, 2010		
	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.).

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.
(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.

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 millon 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).

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		
In millions of euros	Gross	Depreciation & Impairment	Net	Gross	Depreciation & 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):

In millions of euros	Interest	Remeasurement post acquisition	
		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.

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			December 31, 2010		
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		14.7	14.7		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.

The following table shows the various financial liability categories as of December 31, 2011, as well as 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
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

In millions of euros	December 31, 2011			December 31, 2010		
	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:

In millions of euros	December 31, 2011			December 31, 2010		
	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	0.0	0.0	**0.0**	0.0	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.

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

	December 31, 2011			December 31, 2010		
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.

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%

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):

In millions of euros	December 31, 2011				December 31, 2010			
	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.

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):

In millions of euros	December 31, 2011				December 31, 2010			
	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			
	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	0.0	-	0.0	3.4	0.0	0.5	0.0

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

	December 31, 2011				December 31, 2010			
	Assets		Liabilities		Assets		Liabilities	
In millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-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	0.0	-	0.0	3.4	0.0	0.5	0.0

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 borrowings:

	December 31, 2011		December 31, 2010	
	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%**

Net debt:

	December 31, 2011		December 31, 2010	
	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 floating-rate 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 borrowings:

	December 31, 2011		December 31, 2010	
	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%**

Net debt:

	December 31, 2011		December 31, 2010	
	Before impact of derivatives	After 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**

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 31, 2011 *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	Past-due non impaired assets at closing date				Impaired assets (a)	Non-impaired and not past-due assets	Total
Trade and other receivables	0-6 months	6-12 months	Over one year	Total	Total	Total	Total
At December 31, 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

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	Past-due non impaired assets at closing 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 totally impaired.

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.

Counterparty risk arising from investing activities	December 31, 2011				December 31, 2010			
	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.

(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.

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).

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 milion 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 *In millions of euros*	**TOTAL**	**2012**	**2013**	**2014**	**2015**	**2016**	**Beyond 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

Moreover, as of December 31, 2011 undiscounted contractual payments on outstanding borrowings broke down as follows by maturity and type:

At December 31, 2011 *In millions of euros*	**TOTAL**	**2012**	**2013**	**2014**	**2015**	**2016**	**Beyond 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 *In millions of euros*	TOTAL	2011	2012	2013	2014	2015	Beyond 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 *In millions of euros*	TOTAL	2012	2013	2014	2015	2016	Beyond 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 *In millions of euros*	TOTAL	2011	2012	2013	2014	2015	Beyond 5 years
Undiscounted contractual interest payments on outstanding borrowings	3,499.9	364.9	377.9	366.1	342.5	303.2	1,745.3

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 *In millions of euros*	TOTAL	2012	2013	2014	2015	2016	Beyond 5 years
Derivatives (excluding commodities)	**148.2**	**90.2**	**27.4**	**11.2**	**7.0**	**4.9**	**7.5**

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

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.

NOTE 14 - EQUITY

14.1 SHARE CAPITAL

	Number of shares			Value (in millions of euros)		
	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
At December 31, 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.

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.

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.

[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.

NOTE 15 - PROVISIONS

As of 31 December 2011:

In millions of euros	December 31, 2010	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments(a)	Translation adjustments	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 restoration	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.*

(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.

The total increase in provisions for contingencies and losses as of December 31, 2011 over December 31, 2010 is mainly due to the following:

- 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.

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;
- upkeep and maintenance of the protective capping and of the infrastructure (surface-water collection);
- control and monitoring of surface water, underground water and leachates;
- replacement and repair of observation wells (piezometer wells);
- leachate treatment costs;
- biogas collection and processing costs (taking into account any revenues from biogas recycling).

The provision for long-term monitoring obligations 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 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.

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)	0.0	1.2	1.2
Changes in scope of consolidation and other	6.4	(5.5)	0.9
Expense of the period(c)	(2.2)	(46.4)	(48.6)
Contributions	6.4	34.2	40.6
Balance at December 31, 2010	**18.7**	**(490.7)**	**(472.0)**
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)	0.0	0.0	0.0
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.

(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).

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, in accordance with IAS 1 – *Presentation of financial statements*.

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.

In millions of euros		December 31, 2011				December 31, 2010			
		Pension benefit obligations (a)	Other post-employment benefits (b)	Other long term benefits (c)	Total	Pension benefit obligations (a)	Other post-employment benefits (b)	Other long term benefits (c)	Total
Change in projected benefit obligation									
Projected benefit obligation at Jan. 1, 2011		**(855.6)**	**(186.7)**	**(17.8)**	**(1,060.1)**	**(779.9)**	**(165.6)**	**(15.8)**	**(961.3)**
Service cost		(25.3)	(5.2)	(1.2)	**(31.7)**	(26.3)	(5.7)	(1.1)	**(33.1)**
Interest cost		(38.3)	(8.5)	(0.9)	**(47.7)**	(41.8)	(9.4)	(0.9)	**(52.1)**
Contributions paid		(1.8)	0.0	0.0	**(1.8)**	(2.0)	0.0	0.0	**(2.0)**
Amendments		12.1	(1.2)	0.0	**10.9**	0.0	0.0	0.0	**0.0**
Acquisitions/Disposals of subsidiaries		141.9	0.0	(1.4)	**140.5**	(183.7)	(0.9)	(0.3)	**(184.9)**
Curtailments/settlements		14.7	0.0	0.2	**14.9**	198.0	0.4	0.2	**198.6**
Special terminations		(0.0)	(0.1)	0.0	**(0.1)**	0.0	0.0	0.0	**0.0**
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 2011	**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**	**0.0**	**590.6**	**495.4**	**34.9**	**0.0**	**530.3**
Expected return on plan assets		30.6	2.9	0.0	**33.5**	31.7	2.8	0.0	**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)	0.0	0.0	**(176.6)**	187.7	(1.7)	0.0	**186.0**
Curtailments/settlements		(2.8)	0.0	0.0	**(2.8)**	(195.2)	0.0	0.0	**(195.2)**
Actuarial gains and losses		(16.9)	(8.7)	0.0	**(25.6)**	14.3	7.3	0.0	**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	0.0	**10.6**	11.0	2.7	0.0	**13.7**
Fair value of plan assets at Dec. 31 2011	**B**	**389.7**	**42.0**	**0.0**	**431.7**	**544.3**	**46.3**	**0.0**	**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)	0.0	**1.8**	7.8	(10.3)	0.0	**(2.5)**
Limit on defined benefit assets (IAS 19 Sect. 58B)			0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
Supplementary provision (IFRIC 14)			0.0	0.0	**0.0**	0.0	0.0	0.0	**0.0**
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**	**0.0**	**0.0**	**6.0**	**18.7**	**0.0**	**0.0**	**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.

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 millon 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	0.0
Gains or losses on pension plan curtailments, terminations and settlements	12.1	3.4
Special terminations	(0.1)	0.0
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 guarantees a rate of return on the related assets. Such diversified funds are characterized by active management benchmarked to composite indices, adapted to the long-term horizon of the liabilities and taking into account the government's eurozone obligations and the shares of the largest companies in and outside the eurozone. In the case of euro funds, the insurer's sole obligation is to ensure a fixed minimum return on plan assets.

The funding of these obligations breaks down as follows:

	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past services	Limit on defined benefit assets and supplementary provision	**Total net obligation**
Underfunded plans	(781.3)	382.2	5.1	0.0	(394.0)
Overfunded plans	(47.0)	49.5	0.0	0.0	2.5
Unfunded plans	(169.9)	0.0	(3.3)	0.0	(173.2)
Total December 31, 2011	**(998.2)**	**431.7**	**1.8**	**0.0**	**(564.7)**
Underfunded plans	(720.2)	400.8	2.0	0.0	(317.4)
Overfunded plans	(171.1)	189.8	0.0	0.0	18.7
Unfunded plans	(168.8)	0.0	(4.5)	0.0	(173.3)
Total December 31, 2010	**(1,060.1)**	**590.6**	**(2.5)**	**0.0**	**(472.0)**

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 post-employment benefits		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.

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 post-employment 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:

In millions of euros		December 31, 2011		December 31, 2010		December 31, 2009	
		Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Present benefit obligation	a	(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	c	6.4	8.2	10.1	0.1	(14.4)	(3.1)
Experience adjustments to fair value of plan assets	c	(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%*

In millions of euros		December 31, 2008		December 31, 2007	
		Pensions	Other benefit obligations	Pensions	Other benefit obligations
Present benefit obligation	a	(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	c	(0.5)	(1.4)	10.2	8.7
Experience adjustments to fair value of plan assets	c	(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.

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:

In millions of euros	Euro Zone		United Kingdom		United States		Rest of the world	
	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Funded status (a)	(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.

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 guarantees, 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:

In millions of euros	**Future minimum lease payments at Dec. 31, 2011**		**Future minimum lease payments at Dec. 31, 2010**	
	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**

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	0.0	0.0
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 Statements.

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

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

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

(b) of the right, in certain cases, to use tangible and intangible assets and/or specified financial assets; in exchange for the commitment made by the concession-holder:

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

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

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

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

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

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

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

A general obligation also exists to return the concession infrastructure in good working condition at the end of the contract. Where appropriate (see Note 1.5.6), this obligation results in the recognition of a capital renewal and replacement liability. The replacement liability amounted to €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	
	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)		**0.0**	**(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.

(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.

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.

21.1.2 Description of current plans

SUEZ ENVIRONNEMENT COMPANY stock option plans

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Exercise price	Outstanding number of shares at 12/31/2010	Exercised*	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2011	Expiration date	Residual 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***	Exercised**	Granted	Cancelled or Expired	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	12/09/2013	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	11/09/2017	5.9
Total					**8,858,801**	**829,734**	**0**	**148,278**	**7,880,789**		

* *Exercisable plans*

** *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.*

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.

In millions of euros			(Expense) for the period	
		Weighted average 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)**

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.

In millions of euros			(Expense) for the period	
		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.

21.2.3 Impact on the income statement

SUEZ ENVIRONNEMENT COMPANY plans

During the period, an expense of €3.5 million was recognized for the SUEZ ENVIRONNEMENT COMPANY performance share plans.

	Number of shares granted	Weighted average fair value	(Expense) for the period 2011	2010
December 2009	173,852	12.3 €	(0.8)	(0.8)
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.

	Number of shares granted	Weighted average fair value	(Expense) for the period 2011	2010
November 2007	396,042	42.4 €	(0.0)	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 €	(0.0)	(0.0)
TOTAL			**2.8**	**0.0**

In 2010, for the November 2007 plan, the book profit of €4.9 million includes reversal of the €5.7 millon 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.

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 for the employee	Cost of the restriction on availibility (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 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.

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.

	Number of shares granted	Weighted average fair value	(Expense) for the period 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 €9.8 million was recognized for the SUEZ and later GDF SUEZ worldwide incentive scheme.

	Number of shares granted	Weighted average fair value	(Expense) for the period 2011	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 € 1.7 million in 2010 included the reversal of a € 6.8 million expense referred to in the previous section.

21.4 EMPLOYEE SHARE ISSUES

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

			note	(Expense) for the period 2011	2010
SUEZ ENVIRONNEMENT Plan Sharing 2011	Share issue and matching shares in France	December 2011	*21.4.1.1.*	(1.6)	(0.0)
SUEZ ENVIRONNEMENT Plan Sharing 2011	Share Incentive Plan	December 2011	*21.4.1.2.*	(0.1)	(0.0)
SUEZ ENVIRONNEMENT Plan Sharing 2011	Share Appreciation Rights	December 2011	*21.4.1.4.*	(0.0)	(0.0)
SUEZ ENVIRONNEMENT Plan Sharing 2011	Matching Shares - International	December 2011	*21.4.1.3.*	(0.0)	(0.0)
GDF SUEZ Plan Link 2010	Share issue and matching shares in France	August 2010	-	(0.0)	(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.

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)	*b1*	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)	*b3*	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 *(change in expense in € millions)*				
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

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*	0.0	9.1	
lock-in cost for the employee (€/share)	*b2*	0.0	(2.4)	
measure of opportunity gain (€/share)	*b3*	-	0.0	
Total benefit granted to employees (€/share subscribed)	(b) = b1+b2+b3	0.0	6.7	
Book expense	**- a x b**	**0.0**	**(0.1)**	**(0.1)**

21.4.1.3. ACCOUNTING IMPACT OF MATCHING SHARES OUTSIDE OF FRANCE AND THE UK

The matching shares internationally (excluding France and the UK) 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 performance condition	Fair value per share
12/08/2011	12/08/2016	-	10.2 €	7%	-	-	no	**7.6 €**
Weighted average 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.

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 €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.

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*

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).

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.

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 mllion. 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.

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		% control		Consolidation 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

		% interest		% control		Consolidation methods	
Names	Headquarters address	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010

INTERNATIONAL

Names	Headquarters address	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation methods Dec. 2011	Consolidation methods Dec. 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	Ul. Kopernika, 17 - 02359 Warszawa - Poland	100.0	100.0	100.0	100.0	FC	FC

OTHER

Names	Headquarters address	% interest Dec. 2011	% interest Dec. 2010	% control Dec. 2011	% control Dec. 2010	Consolidation methods Dec. 2011	Consolidation methods Dec. 2010
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

NOTE 27 – FEES OF 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.

In thousands of euros	Ernst & Young				Mazars			
	Amount		%		Amount		%	
	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.